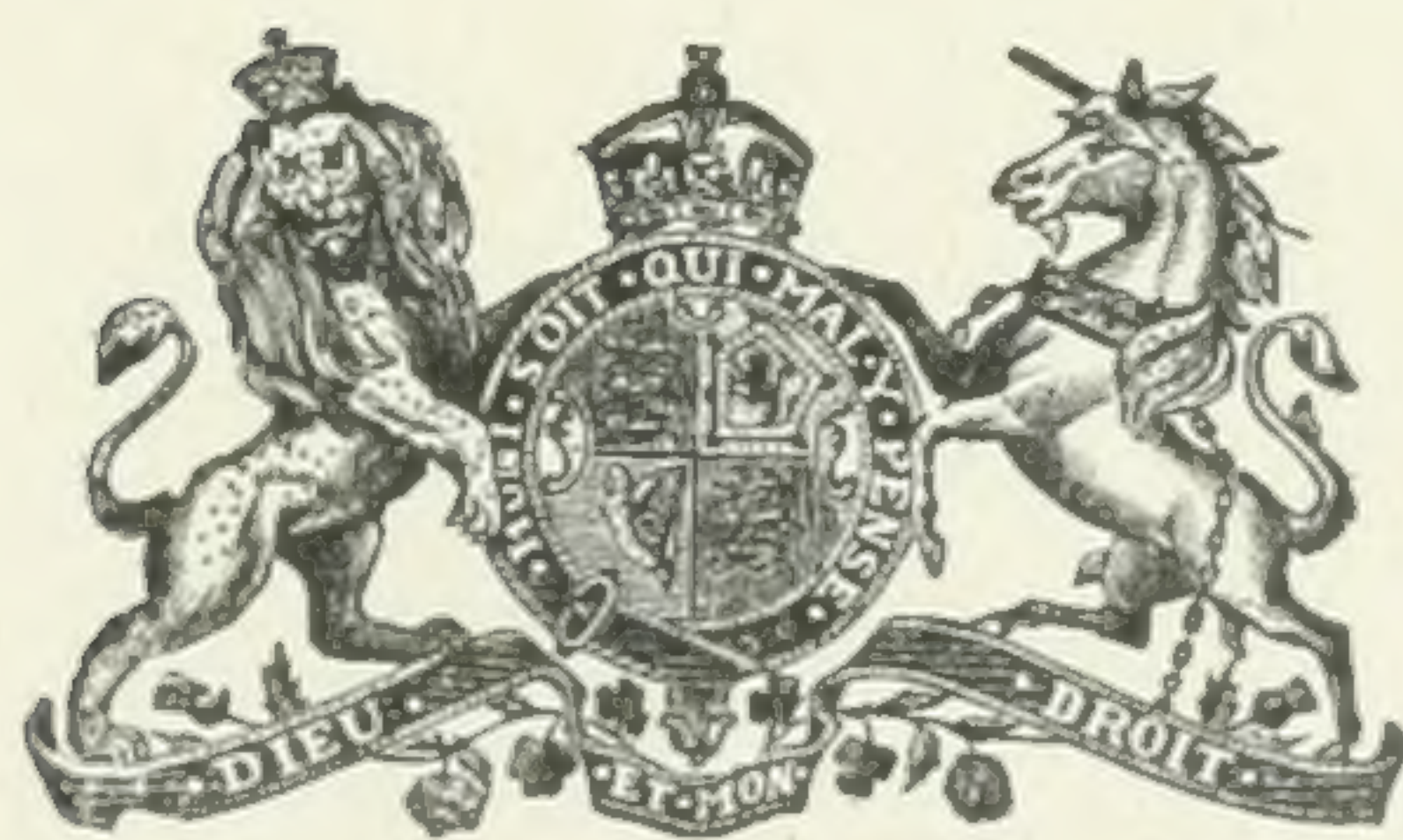


SPEECHES
IN
THE BRITISH HOUSE OF COMMONS
RELATING TO
THE CO-OPERATION OF THE ALLIES
IN THE WAR,
1916

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1916

[No. 76.]

DOWNING STREET, January 18, 1916.

SIR,—I have the honour to transmit to Your Royal Highness to be laid before your Ministers, a copy of the Parliamentary Debates (House of Commons, 10th January) on a Resolution which was adopted by the House “That, with a view to increasing the power of the Allies in the Prosecution of the War, His Majesty’s Government should enter into immediate consultation with the Governments of the Dominions in order with their aid to bring the whole economic strength of the Empire into co-operation with our Allies in a policy directed against the enemy.”

I have the honour to be, sir,

Your Royal Highness’s most obedient, humble servant,

A. BONAR LAW.

Governor General

His Royal Highness

The DUKE OF CONNAUGHT AND OF STRATHEARN, K.G., etc., etc.

PROSECUTION OF THE WAR—CO-OPERATION OF ALLIES.

Mr. HEWINS: I beg to move, "That, with a view to increasing the power of the Allies in the Prosecution of the War, His Majesty's Government should enter into immediate consultation with the Governments of the Dominions in order with their aid to bring the whole economic strength of the Empire into co-operation with our Allies in a policy directed against the enemy."

I should like to explain that I have no intention in connection with this Motion of discussing questions which have become of public interest during the War. The first is what is called "Capturing German Trade." There is, I think, only one object at the present time, and that is successfully to finish the War, and I myself deprecate very much any presentation of issues at this time as an alternative between pressing on with the War and trying to achieve any trade advantage. Then, again, my Motion has only an indirect and inferential relation to the policy that may or may not be pursued when the War is over. I have limited it in its scope for the simple reason that my main object is to make representations to the Government which I think will have the effect of shortening the duration of the War. My second reason is a very simple one—that this War is of so gigantic a character, affecting every possible relation of our social and economic life, that it is really impossible to say at the present moment what will be the economic, industrial, or financial situation with which we shall have to deal after this War. It seems to me, therefore, that in laying out the great broad scheme of policy which we may pursue after the War we are likely to be involved in discussions which are to a certain extent academic and may even become controversial. Broadly, I desire to confine my remarks to certain concrete issues which arise from the policy of Germany after the War on its economic side and the methods we should adopt to meet that policy, injuring as much as possible the financial credit and economic position of Germany. It is very important that we should realize what is the precise German economic system of the Central Powers which they have made such use of during the War. Here in England we are rather apt to neglect one side of the War policy which has been appreciated for a great many years in Germany. I mean, the economic side. We divide the economic and military into several compartments, but Germany has never done that. From the German point of view the War began several years ago in certain economic measures, and from the German point of view the War will continue after the conclusion of military operations in certain economic measures which they already have in preparation. In the last ten years we have had ever so many pitched battles with German economic experts in various measures which they have tried to adopt—and sometimes they have successfully adopted—for entangling different parts of the British Empire in a network of diplomacy which has had for its object the diminution of the power of Great Britain, and they have all the time before the War, during the War, and they contemplate after the War, kept in view this economic effect.

I wish to explain what is this economic system of the Central Powers with which we are in conflict, and make some proposals and suggestions which I trust in some form or other they will be able to adopt. I should like to say before I explain that system that I do not put forward any proposal I have to make in any dogmatic spirit, and I have a feeling that we should throw all we know into the common stock. All I am anxious about is that the Government should give my suggestions their reasonable consideration. My Motion does not reflect upon what they have done or contem-

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plate doing. There is no vestige of censure in it, and it is simply that I wish to assist, so far as I am able, in evolving such an economic policy as will shorten the War and diminish the sacrifice of human life which is so dreadful at the present time. What is the economic system of Germany? I think the key to the whole German diplomacy during the War is economic. If you look at the present time, and look at the territory Germany has occupied, she is in effective occupation of Belgium, and many of the manufacturing districts of France and part of Russia. Austria is extending her influence in the Balkans, and what is the object which Germany has in view? Is it political? Not at all. There is one great key to the whole German movement extending over many generations, and that is the economic aims she has in view. It is a matter of small importance to Germany whether or not these countries and territories which she now occupies are politically subjected to her, if she is able to extend the powers of her various financial syndicates and general economic powers, and if she can dictate in these matters Germany will be quite satisfied. That is what she desires.

I do not agree with the recent explanation of German military movements that they are mad adventures, for it seems to me that they have been carried out in pursuit of an aim which Germany has, and which she has openly avowed, and that is the economic subjection of all those countries which she occupies to the German central economic system, or the central European system which by German energies and German foresight took the place in European diplomacy of the Western commercial system of which England used to be the centre up to 1860. Since that time, especially since the foundation of the Empire, Germany has gradually substituted what is the basis of many of her economic measures, a treaty system which I call the central European system, although all the countries concerned cannot be said to belong to central Europe. Germany forms her system in this way: She draws up her general tariff. She then goes round to Austria, Russia, Switzerland, Belgium, and other States, and she extracts from those States certain tariff concessions. She makes a treaty upon the basis of those concessions, and in each of the treaties is included a Most-Favoured-Nation Clause according to the British interpretation, and when these treaties are brought into operation by an Imperial decree the Most-Favoured-Nation Clause may be in those treaties, and it brings it about that the last freights arranged with any of those treaty Powers becomes a convention operating with Germany. Therefore this treaty system and the use she makes of her Most-Favoured-Nation Clause in those treaties are the basis upon which the whole of the German tariff machinery and the German economic system generally rests. That system has been of slow growth, but it has gone on developing; and, as everybody knows, the terms which were so objectionable from so many points of view in one of these treaties were one of the material causes of bringing about the present state of war. Therefore, you have Germany with that central system, Germany in league with Austria-Hungary, and before the War with Russia, Belgium, Switzerland, and several other States, and that system of treaties in which the tariff classifications were so worked out as to exclude as far as possible British trade. Those treaties and that system account together for the entrance into the British Empire of from 70 per cent to 80 per cent of the German external trades. There are other treaties of not so much importance, and there is also the important Treaty of Frankfurt, which Germany foisted upon France as the result of the war of 1870. I have already expressed in this House the view that, although one may have the greatest admiration for the energy and the ability with which Germany initiates and organises reciprocal trade, Germany has not shown very much originality. The plan she has adopted now, the plan she has adopted for the last generation, is really very similar to that by which she began her organization, and apparently she is still pursuing principles to which she has become used; in fact, the whole of the German economic system is bound up with certain old-fashioned methods.

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Let us look at that system. I have described it as it was before the War. Now look at it during the War. I am afraid that I do not quite share the extremely optimistic views which are held in some quarters about the economic state of Germany. My own inquiries lead me to a much more chastened conclusion. The external relations of Germany, of course, are in a very dangerous economic condition, but during the War, behind the screen of all these military operations, Germany has been carefully organising the territory she has conquered, and she has from a practical economic standpoint extended the system which she herself has devised. She has control of the raw material for manufacturing the resources of these conquered States, and, although I imagine that Germany will have considerable difficulty with the outer world, the inquiries which I have conducted do not lead me to suppose that short of strenuous action on our part she need necessarily be very much hampered in the actual carrying on of the War. The various economic resources which she controls are very considerable for the purposes of the War, and, in addition, I am informed—the President of the Board of Trade will perhaps be able to tell me how far it is true—that certain quantities of essential materials are still going into Germany from outside. I am bound to say, if one tries to look at it from the German point of view, that the measures of organisation which Germany has adopted have not been wholly unsuccessful during the War, and it is a very powerful war machine which she has created.

Let us project our minds still further forward and look at this system from the point of view of peace negotiations. Germany will probably find that her ambition cannot be very successfully extended to the East, and she will in all probability be driven back on the old method of economic action which she has already found so efficacious in building up her power. We may, in fact, judge from the resolutions which were adopted the other day at the secret Congress at Vienna on this subject that she is certainly working in that direction. I will not say that she is hoping to achieve victory, because I do not believe the most unintelligible German now thinks that he is going to have military victory in this War, but I believe there is a very widespread opinion in business and economic circles in Germany that they may achieve sufficient military success, which, coupled with their economic action which I have described, may accomplish for them something which looks like the thing which they value above all other things—economic gain and the being able to foist upon conquered territories German traditions. Anybody who knows how strongly the Treaty of Frankfurt is resented in France may well contemplate with anything but pleasure the possibility of similar arrangements being forced upon the world, as the result of the War, with regard to other countries. That is what I believe Germany is aiming at at the present time, and I would like to inquire how we are to meet it.

It is said in some quarters that we should form a Zollverein for the British Empire and our Allies. I do not think that is at all practicable. We have the greatest example of the organisation of a Zollverein in the case of the German Empire itself, and a Zollverein cannot possibly be established unless you induce the States which consent to it to part in a very high degree with their sovereign rights. It implies, further, such a unification of the internal taxation system of the States who enter into it that it is quite impossible to think it could be applied to the British Empire and her Allies at the present time. I know that people use the term "Zollverein" in a general way, sometimes meaning merely a vague aspiration, but a Zollverein is entirely out of the question for the British Empire and her Allies. The fact is that the genius of the British Empire is quite alien to the idea of a Zollverein. The British Empire consists of a number of states and societies in every stage of civilization. We include in the British Empire every known religion, every state of economic and social development, every kind of relation between the State and the individual, and every form of government. It is the genius of the British Empire, by that extraordinary principle which my right hon. Friend the First Lord of the Admiralty (Mr. Balfour) has described as "Imperial

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good fellowship," to provide on proper and autonomous lines for the different parts of the Empire, giving the fullest opportunity to all the States to achieve their fullest development, and at the same time not chaining them down to any rigid system which might check them. That is the genius of the British Empire, and in dealing with the problems of the War I suggest that the Government should frankly and in the fullest possible manner, I will not say aim at Imperial unity, because I myself believe that Empire unity has been realised to a great extent for a great many years, but in all things act in accordance with that fact. We must carry the different States of the Empire with us in any measures we adopt. We must consult them fully and freely, and take them with us. We had a case the other day, the case of the scheme of the Chancellor of the Exchequer in connection with securities, and we saw there how necessary it was that in order to make that scheme watertight and really successful we should consult and carry with us the different Dominion Governments, and see that they all fully understood what we were driving at. I think we should

4.0 P.M. take that as the first step at the present time. In the second place—I do not wish to go at all into any large schemes for the future and I merely refer to the past—I think the Government should fully and frankly accept and act upon the resolutions which have been unanimously adopted by the Dominion Governments at the Imperial Conferences. Suppose you have a Conference, formal or informal, I do not care which, of the representatives of the Empire and at once take into account and consider the ways in which we can act together to check the designs of the Central Powers and Germany which I have described. Let me take one important question which plays a very important part in the whole scheme of German finance—I mean the control of our raw material and especially of the shipment of the ore produced in the British Empire. I do not wish to go into any lengthy details about this important scheme, but whether you take the zinc concentrates in Australia, nickel in Canada, or the whole series of metals, I am really giving away no secret when I say they are virtually controlled by German syndicates and have been for years. One of the most effective branches from that point of view of German activity for many years past, in support of the European system which I have described, has been to provide for the security of her manufactures by securing this control, and everybody knows at the present time that, if you once smash the power of these German syndicates, you inflict a most severe blow, not only upon the economic power of Germany, but in particular on those financial methods which they have applied and still apply to support their policy.

I believe the Government are fully acquainted with the development of this important question in the Empire. If I am not mistaken, as long ago as last December twelve months, the Australian Commonwealth approached the Government on the subject. I am speaking entirely from memory, but it certainly was something like that. In Canada measures have been taken in regard to this particular case, and I do suggest that one of the first things the Government might do is not to act alone but to act in consultation and collaboration with the Dominion Governments to see that these resources of the British Empire, of which in many cases we have almost a monopoly, are no longer exploited in the interests of our enemies, and we should tell the Germans quite frankly that this state of things is going to cease once and for all. I agree no nation can say, or would dream of saying, that we will for all time make a monopoly of the raw materials which we produce in our Empire. We cannot say that but I think we are entitled to say that the resources of the British Empire shall be held, controlled, manipulated and used by Britishers for Britishers first and foremost. Very few things would excite more interest and enthusiasm in the Empire than a definite resolve on the part of the Government that at once and forthwith steps shall be taken to secure that result.

Then there is the important question of shipping and transport. We have had many debates on the shipping question, which has a serious economic interest to the

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Empire at the present time, and particularly to England. All I will say on that, is that you cannot touch the shipping interest at the present time without danger unless you take into account also the views which prevail upon it in different parts of the Empire, and particularly in Australia. The question came up in a very important manner at the last Imperial Conference, and a resolution was then carried, on the motion of Sir Wilfrid Laurier, upon which the Government have been acting ever since, and which has a very important bearing on the shipping question in the British Empire. I should certainly desire that in any measures proposed or adopted by the Government for dealing with the question they should be careful to act with the Governments of the Dominions. There is another important question. In order to destroy the power of the economic system of the Central Powers we shall have to deal with treaties. There has been a long development of the powers of the various Dominion Governments in dealing with treaties. I am not going to detain the House with the lengthy details which it would be necessary to inflict upon it in order to show that development, but everybody knows that the treaty question as it affects the Empire is one of the most important we can possibly take into consideration. As in breaking the power of Germany you will have to touch the treaty system, I would suggest that, before steps are taken, it is necessary to put the question before the Dominion Governments and to carry them along with us.

We want to get rid of the German and Central European treaty system which has grown up in the last fifty years. I am going to suggest that we should openly express our intention of getting rid of that system and substituting for it a Western system of which England and the Empire shall be the centre. Directly you take a move in that direction you have to remember that the negotiating power of Great Britain alone is very much less important than the negotiating power of the British Empire as a whole. If you take the Empire as a unit, you can give concessions and advantages to your friends which you cannot contemplate if you split it up into various separate independent Dominions, each one making its own treaties. I suggest the time has now arrived when the Government should meet the representatives of the Dominions and take that question into consideration. The German Government has already taken action in this matter, and in the resolution adopted at the Secret Congress held at Vienna to which I have referred, they insist upon the importance of not waiting until the War is over, but of carrying out the aims enshrined in them at once. What are those resolutions? I will read them out to the House if it is the desire of hon. Members. But I may say that in them Germany has done us the honour, if I may say so, the very great honour, of adopting *in toto* what is ordinarily understood as the preferential policy of the people of this country. These resolutions have not been published except in a very brief compass, but they show precisely what Germany is contemplating. Here is a translation I have made of the official report of the congress. [An HON MEMBER: "What is the date?"] The document I am about to read was published on 10th December, and the conference, of course, took place prior to that:—

"A secret conference of delegates of the Central European Economic Associations was held recently in Vienna, at which detailed proposals were formulated with reference to the questions of German, Austrian, and Hungarian economic union. Under the leadership of the three presidents of the associations—Duke Ernst Gunther zu Schleswig-Holstein, Baron Plener, ex-Finance Minister, and Herr Wekerle, ex-President of the Council of Ministers, and with the participation of the prominent agricultural, industrial and commercial representatives of the three States, the following resolutions were passed:—

1. Prior to peace negotiations being entered upon, the foundations are to be laid for the most comprehensive economic rapprochement between the German Empire and the two States of the Austro-Hungarian Monarchy.
2. This economic rapprochement is to be brought about on the basis of reciprocal preferential treatment and must embrace as far as possible all aspects of economic life. Thus it is not only the unification of the customs system which is to come into consideration, but also the improvement and development of a reciprocal system of trade and traffic in the widest sense of the word.

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3. The basis of the customs part of the political reciprocal preferential treatment is to be—subject to full preservation of necessary protection of home production, including in exceptional cases even the raising of particular customs duties—that side by side with the reciprocally granted customs concessions, the free list of the customs tariffs is to be extended as much as possible and a periodic revision of the customs duties operative in the reciprocal trade undertaken, actuated by the spirit of rapprochement. Endeavours are likewise to be made to devise a unified customs tariff scheme and classification of commodities, as also customs administrative legislation which shall be as uniform as possible.
4. It is to be a condition precedent of the customs political preferential treatment that—particularly in the treaties of peace—the principle shall hold that such preferential treatment shall not be accorded to other States on the basis of most-favoured-nation treatment.
5. Commercial treaty negotiations with other States are to be carried out by the Allied Empires, subject to the preservation of their commercial political sovereign rights, in agreement with one another, and with mutual support and simultaneously; such treaties, too, being concluded simultaneously.
6. All measures of a legislative or administrative technical character which appear necessary for the development of the production, trade, communication, and financial economy of their countries are to be carried out in the free economic territories with expedition in the sense of rapprochement and unification.
7. The arrangements of the Allied Empires which eventuate in the sense of these proposals are to be made for a period which shall considerably exceed the duration hitherto customary for commercial treaties."

That scheme in its entirety, I believe, it will be found difficult, if not impossible, to carry out because there are important fiscal and economic questions, for instance, as between Austro-Hungary and Germany which it would be almost impossible to bring within the scheme, and which cannot be brought within unless Austro-Hungary is willing to part with an important portion of her sovereign rights. On the other hand, it is clear, judging from German experience, that these proposals can be carried out subject to existing conditions in many important directions. The whole object of them is to give Germany a self-sufficient area within which she can reconstruct her own system. Germany has a paper currency, and that paper currency, after the War, will virtually force Germany to export. To a great extent she will stop imports, and already some of her leading men have avowed her intention of doing that. Probably you will get a system of exports under State control. What we have to do in order to meet that danger—and I think it is a very considerable danger—is to bring the Powers of the British Empire in co-operation with our Allies to bear upon this subject. I ask the House to believe I am not intending to raise any controversial subject, I am merely desiring to explain the economic situation. Let us suppose for one moment that the British Empire was present in future negotiations with the power of making her will felt in regard to tariff rates agreed upon by the Powers. Does anybody for a moment suppose that the classification which is adopted by Germany, and which they promise to further specialise after the War, could be maintained if the British Empire were in a position to say they would not have it? I think I am speaking well within the truth when I say that it would be perfectly impossible for that system to be maintained. Supposing it is not maintained, Germany has at once to reconsider her economic position. Her system rests upon the conventional tariff system which she has, and if by action which we take we can force the modification of the proposed rates below what Germany thinks to her interests in the States affected, that conventional tariff system will go to pieces and Germany will be obliged to reconstruct. If we can do that, and if we can stop or diminish or sufficiently alter the exportation of Germany and her treaty States, it is perfectly certain that this large amount of trade which she has had in the past and which formed the basis of the value of such securities she has at the present time will be swept away. I venture to say that the anticipation of dangers of that kind will act upon the German mind in a way which would make them reconsider where they are and what they are to achieve by this War.

People may say, "You cannot make an arrangement of this kind with our Allies." Well, I should not have the presumption to bring proposals of this kind before the House of Commons unless I had satisfied myself, by sufficiently long inquiry and by communications with people who are acquainted with their respective countries, that

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some approach, at any rate, to what I am proposing could be made. Of course, the economic systems of France, Russia, Italy and Japan differ materially from ours, but I am satisfied that although it is quite impossible, and in fact undesirable, even to attempt to realize what some gentlemen put forward—an economic Zollverein—it is certainly possible, if we can act in the Imperial direction I have outlined, to make suitable arrangements with those countries, and those arrangements would be welcomed. I am perfectly certain, in those different countries. Everybody will agree that the initiative must come from us. After all, you have only to contemplate the vast concatenations of the commercial treaties of Great Britain, her varied arrangements with different countries, the different kinds of trade and the different economic organizations which she has created, to see that it is not France, Italy, or Russia who can say to us what we shall do, and certainly our own Dominions will not attempt to dictate to Great Britain what she should do. It is for England to say in what direction she is prepared to move. She must take the initiative, and when we say that England must take the initiative we mean His Majesty's Government. I am quite sure that if they do so they will find that there is nothing feared so much in Germany as this joint economic action of the British Empire and her Allies. Nothing would so tend to discourage Germany's efforts as to make it clear, beyond all question, that when this War is over those securities she has, which have no value at present, which are so heavily mortgaged and which have been made the basis of her paper currency and loans, and if Germany is made to feel—and the level of commercial intelligence is very high throughout Germany—that whatever may happen after the War one thing shall not happen, namely, that these industrial and commercial securities which Germany holds shall not, so far as we are concerned, show any power of recuperation. If we say we are determined to build up this British as distinct from the German system, to bring in our great Dominions—and they will follow with enthusiasm—to bring in France, who hates the Treaty of Frankfurt, and Russia, who loathes German financial domination, and Italy, where everybody knows the efforts Germany has made to govern Italian finance—all these countries would welcome any relief from this German domination. It is for us to act, and the moment Germany understands we mean to act, and, what is more important, if we take action, I venture to assure the House they will find they have taken a very material step in shortening the War and diminishing the great expenditure of life, which has been manifested so far.

Mr. Peto: I beg to second the Motion. I feel sure I shall be expressing the feeling of the House in saying that we are under a genuine debt to the hon. Member for Hereford (Mr. Hewins) not only for having raised this question so vital to the prosecution of the War, but for the extraordinarily interesting and learned statement, in the best sense of the word, which he has made in support of his Motion. I feel that after the hon. Member's speech it would very likely be the general wish of the House that I should confine myself to merely formally seconding his Motion and wait to hear what the Government are going to do. There are, however, one or two parts connected with this subject which the hon. Member has intentionally left with merely a casual reference, therefore I propose to say a few words upon those subjects with which the hon. Member dealt least. Before doing so I should like to say that in dealing with this subject it has been pointed out to me by one or two Members of the House that we are dealing with what may be regarded from some points of view as rather a thorny subject which has been a subject of controversy in bygone days. I regard the party truce as meaning that we should leave on one side all political discussion that tends to hinder the prosecution of the War. I do not understand it to mean that we should be tongue-tied upon any subject which is vital to the prosecution of the War, because in some of its aspects it might have been a subject of controversy in the past. It is in that sense that I propose to deal with this Motion. I notice that on the last day the House sat before the Adjournment the President of the Board of Trade made a speech which, in a great measure, was connected with this very subject, and he made two statements which I think go to the whole root of the reason why the hon. Member

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for Hereford and other hon. Members connected with him have brought forward this Resolution. He said:—

“There is scarcely a single department of commercial life where we have not been constantly thinking of what is likely to happen when the war is over.”—[OFFICIAL REPORT, December 23, 1915, col. 669.]

And then within a few lines of that he entered a caveat that he did not wish any of our Allies to think that because we were considering this question we were

“hankering after peace.”

To my mind it is rather extraordinary he should have thought he was in any way likely to be misunderstood, because the point of view of the hon. Member for Hereford and myself is that we cannot prosecute the War unless we consider how we can bring to bear upon the prosecution of the War the whole economic and commercial force of our Empire and of our Allies. The right hon. Gentleman said he thought that a statement of the list of subjects under discussion would be consulatory to the House. He said they were being considered behind closed doors, and that the mere headlines of discussion covered two pages of foolscap paper. When I heard that statement I could not help wondering whether the right hon. Gentleman was not in some danger of failing to see the wood because of the trees. If all these subjects are to be regarded as secret, if we are to be afraid even of the effect of discussing them upon our Allies, if they are to be so voluminous that no statement of general policy can be elicited from the Government—which I regard as the first step in the matter—and if you add to that that the right hon. Gentleman said:—

“We should remember that we should not tell the Germans what we are doing, or every step we are taking, in order to take from them some of the great commercial and industrial advantages they had before the war.”—[OFFICIAL REPORT, December 23, 1915, col. 674.]

I think we are fully justified in bringing forward this Motion. My own view is that it is most desirable that we should tell the Germans of those steps and the broad outline of the policy we intend to adopt. Far from being a subject that we should conceal from our Allies immediately after we have arrived at an agreement with the representatives of the Dominions, we should at once settle with our Allies the joint action we are prepared to take in prosecuting the German view of the continuation of the War—the commercial war—after the signing of peace. We must enter upon this subject without any reservations at all, at any rate, so far as the Dominions are concerned. I notice that in the appointment of the Dominions Royal Commission there was an express reservation that they should not deal with any of the questions which touched upon the fiscal policy of either this country or of any part of the Empire. We have got to regard the matter from a much broader point of view. We have got to recognize, as the hon. Member for Hereford said, that the Central European treaty system is a thing with which we are in competition, and that we have got to consider what is the best treaty system and the strongest possible combination to bring to bear to oppose it. I am fortified in that view by what the President of the Board of Trade said in the Debate to which I have referred. He said:—

“Every one knows that when the War is over there is not one of these things which will start off in the same position it was in when the War began. In every one of them the relationship of Germany and of Austria—of what might be called the Central Powers Zollverein—is bound to conflict with our interests.”—[OFFICIAL REPORT, December 31, 1915, col. 670.]

If those interests are bound to conflict with ours when the War is over, it is quite clear that we have got to consider how we can best protect our interests and support the British needs. The hon. Member for Hereford dealt shortly with the question of shipping. I notice that upon that matter the President of the Board of Trade had something to say the other day, and what he said certainly seems to me to be another reason why this matter wants some further debate. He said that the use made of our

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ports by German shipping and the British flag by German owners under the British company system was one question that they were considering. I ask that in this matter of the carrying trade we should use the enormous power we have, as a sea Power, and the fact that our Allies are to only a lesser extent sea Powers also. If you take the coast line of the world Great Britain and her Allies have almost a monopoly of the ports and the coast line, and, consequently, the carrying trade between different parts of the Empire of Empire products to our present Allies is an enormous proportion, far exceeding any proportion which could be left out if we determined to confine that carrying trade to the British Empire and to our Allies, so far as Empire products are concerned. That is the old primitive policy in relation to shipping, and I do not think it would be inappropriate to ask the House to consider how it was that long ago British mercantile shipping was built up. It did not start with the Act of 1651, the Act of Cromwell, but in the First Clause of that Act it is defined so clearly that I need hardly apologize to the House for asking it to let me read the first few passages. It is:—

“An Act for the increase of the shipping and the encouragement of the navigation of this nation, which, under the good providence and protection of God, is so great a means of the welfare and safety to this Commonwealth. Be it enacted by this present Parliament, and the authority thereof, from and after the first day of December, 1651, and from thenceforwards that no goods or commodities whatsoever of the growth, production or manufacture of Asia, Africa, or America, or of any part thereof, or any of the islands belonging to them, or any of them, or which are described or laid down in the usual maps or cards of these places, as well of the English plantations as others, shall be imported or brought into this Commonwealth of England, or into Ireland, or any other lands, islands, plantations or territories to this Commonwealth belonging, or in their possession, in another ship or ships, vessel or vessels whatsoever, but only in such as do truly and without fraud belong only to the people of this Commonwealth, or the plantations thereof, as the proprietors or right owners thereof.”

Then it goes on to set forth the penalties for infringement. These principles were carried on right down to 1849, and even in the Act of 1849 it is not only laid down that only British subjects, and subjects made British subjects by letters of denization or naturalization, should be empowered to own any part of a British ship, but it is also specified, in regard to oversea trade, that at least three-fourths of a ship's company should be British subjects. Then in the Act of 1854 we have inserted for the first time the admission that bodies corporate established under and subject to the law of this country or any of the Dominions may be the owners of British ships. Hon. Members are aware how great a hole has been made in this ancient principle of the British flag covering at sea genuine property, in the words of Cromwell's Act, “without fraud, belonging only to the citizens of this country.” I ask under this Resolution that we should go back to the bedrock principle that the British flag covers British property, and that we should lay it down quite clearly, as has been already asked by some of our Dominions—by New Zealand in 1902, by Australia in 1906, by a resolution passed in the Imperial Conference of 1911—that we should in fact reserve the carrying trade of the British Empire to British shipping in the sense that it is really owned by an alteration of our company law.

May I read to the House that resolution to which I referred at the Conference of 1911, because I want to show that even before the War this question was brought up by our Dominions? They have been going ahead of the Old Country in this matter of Imperial consolidation. The resolution, which was carried unanimously at the Conference of 1911, was:—

“That it is desirable that the attention of the Governments of the United Kingdom and of the Dominions should be drawn to the desirability of taking all practical steps to secure uniformity of treatment to British shipping, to prevent unfair competition with British ships by foreign subsidized ships, to secure to British ships equal trading advantages with foreign ships, to promote the employment of British seamen on British ships, and to raise the status and improve the conditions of seamen employed on such ships.”

There is a comprehensive British shipping policy. It is a British policy, and it is intended to promote the interests of the shipping of this country; and if the Government will bear in mind the fact that there are large portions of the coast line of

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the world where British shipping has practically been run off the road altogether by foreign subsidised ships—German shipping companies in almost every case—and, as a result, instead of a reasonable rate of freight, an excessive and exorbitant rate is charged as soon as British shipping competition has been done away with, I think they will see that this is a question that does not mean higher costs of trade, or anything of that sort, but means that the profits of the carrying trade, which will be so enormously important in building up our economic position after the War, shall all flow into this country, instead of being diverted into the coffers of countries which are now our enemies. When we consider the commercial penetration into all parts of the world of the system of Germany as it has operated in the past one really is almost tempted to wonder why they ever went to war at all. If we kept to our own old policy of regarding as only essential what was written down by the Board of Trade returns as to what was the import and what was the export of this or that part of the Empire, without taking the slightest account of where the profits of that trade went, I think really, if you look at the position as it was in Ceylon, in Hong-Kong, and in various parts of the Empire with which I am more or less acquainted—other parts, I have no doubt, hon. Members know vastly more about than I do—one really is tempted to wonder what on earth Germany had to gain more than she could have gained by going on with the existing system which we permitted.

I mentioned Ceylon. May I tell the House, from my own experience, what was the condition of affairs there. When I first went there twenty-five or thirty years ago, the export trade of Colombo and Galle was entirely in the hands of certain English and enterprising Scotch firms. They had built up the business and nursed it, and in many cases brought into being the plantations—tea, coffee, and cocoa, as it was in those days—which supplied the exports. Then certain enterprising German firms established themselves there, Volkart Brothers—

Mr. BRYCE: Not Volkarts; they are Swiss.

Mr. PETO: I accept the hon. Member's statement. There is a very narrow distinction between many of these so-called Swiss firms and genuine German firms. These foreign firms, at any rate largely German, had got a very large proportion of the total trade. I have taken the trouble to find out what that proportion was. I have applied to the Colonial Office, I have applied to the Ceylon Chamber of Commerce, I have applied to certain firms which trade with Ceylon, including the one I was connected with myself, and no one, not even the Colonial Office, could give me that figure. It only shows that we never paid the slightest attention to who did the business. We only wanted to know what the total was, and whether the profit of the business went to Berlin or came here to London no one seems to have cared, and least of all the Colonial Office. All that sort of thing has absolutely got to stop. If you look at the trade of the Empire as it was, and if you wanted to describe it pictorially, you might liken it to a river with its sources in every port of the British Empire, and, so far as the profits were concerned, flowing into German coffers at the end. I cannot imagine anything which would have a greater effect on the morale of the German people at present, upon their credit and upon their finance, than the knowledge that with regard to the trade, and the shipping trade in particular, with that very large section of the world which is covered by the British Empire, this whole state of affairs is going to stop absolutely after the War, and that we shall take steps to see that foreign firms and companies are not allowed to monopolize all the fat business in the export from our various ports, while they leave, as they did in the case of Ceylon, to Englishmen and Scotchmen the rather hard and lonely and trying work of growing the natural crops, that never appealed to the Teutonic mind. They always liked to be where there were comfortable bungalows and larger and roomy offices close to the port where they could handle the stuff that stupid Englishmen and Scotsmen grow and take all the profits they possibly could. All that sort of thing ought to be settled now while we are at war as being a thing that belongs to a past and misguided era, and one which is not going to occur under any circumstances after the War.

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The right hon. Gentleman said the other day that practically everything was going to be in a new condition after the War. Whatever the result of the War may be, it is quite certain that the commercial division of the world will be entirely different from what it was before. I look at it as being divided into the British Empire, the territory of the Allies of the British Empire, the territory of neutrals, the territory of our present enemies, and, of course, that large part of the world which is composed by the sea. They are the five divisions, and I think they indicate roughly what our policy ought to be. First of all, an agreement between all parts of the Empire as to what steps we are to take to promote the economic resurrection which will be so essential after the War to the future of our Empire. Then we should arrange with our Allies a policy which will certainly not be based upon existing treaties, but on an entirely new trade policy between them and ourselves. We shall consider the position which will be occupied by neutrals and the position which we can assign so far as the trade which we control with the States which are now at war with us. If we act upon those lines I welcome the investigation of the President of the Board of Trade, but I can see no reason for secrecy and no reason for being ashamed of telling our Allies what we propose to do. But on the contrary, if we do not adopt such a policy, I should regard it as leaving unused a great military factor of war, and I should regard the Government as as much to blame as if they decided to fight our battles without artillery, because I believe we have got a great weapon which we can use and we have got to act immediately, and I understand the Prime Ministers of almost all our Dominions either are or will very shortly be in this country, and I ask the Government to seize the opportunity of holding a conference with them at once with a view, not to make any arrangements which are not to materialize until after the War but with a view to telling as soon as possible the whole world and every one concerned the policy that we are going to adopt when the War is over. With regard to the treaty question, I wish to say a few words. I know it is not a simple question. I think that we were fortunate that it was raised by our Dominions at recent conferences. They found their hands tied by this Most-Favoured-Nation's Treaty, which has done so little for us and which we need to regret so little is scrapped. The investigations which have been made into its operations show that we, as a Power who have really no bargaining power at all, have only been benefited by that treatment in respect of about 15 per cent of our total trade, whereas tariff Powers, who were not bargaining Powers, have benefited to the extent of 27 per cent, and Switzerland and Austria, the principal Powers who were bargaining with Germany, have benefited to the extent of 41 per cent and 50 per cent respectively. That being so, and the treaty question having been raised, I see that in nearly every case, although it is a very complicated system, preliminary steps have already been taken to denounce treaties that have been found to hamper, at any rate, our Dominions, whatever effect there may have been upon our trade in the past. Russia has already taken steps to denounce treaties in which she was tied to Germany and Austria. It is a very vast question, this system of treaties. I understand that there are no less than forty-seven different treaties between the Allies of the Entente, whereas Germany, who is so much wiser, has only ten treaties between herself and her allies. All this vast system is in need of complete revision.

There are some of the existing treaties which will be difficult to get rid of. One is our Treaty of 1911 with Japan, where we pledged our future action in regard to a long list of articles on which we said we would impose no duties in future. I do not think that that was a proper treaty to have entered into, because it pledges our action and really binds us in a way which may be exceedingly inconvenient even before this War is finished. It may be detrimental to our interests in winning this War. However that may be, that treaty has been contracted for up to 1923. But we have powers of getting out of it, and I have not the least doubt that we shall have to get out of it. I look at this question in this light: If you have got a building which is on a bad

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foundation, and you find it is cracked and the roof lets water in, it is so much cheaper and better to remove it and construct something entirely fresh than to attempt a very elaborate process of trying to repair something that no longer answers its purpose. I am certain that something will have to be done in regard to these treaties, and in seconding this Motion I ask the Government not to be afraid of dealing with it at once but to take preliminary steps to deal with it at once, and to regard it as a very important factor in bringing pressure to bear upon our enemies, and, above all, in discouraging them and in showing them that by going to war, in order to win everything, they are bound, whatever the result of the War is, to lose what they had in their own hands by peaceful penetration to every part of the world. It is in that hope, and in the belief that it is going to assist us very materially in carrying the War on to a successful conclusion, that I beg to second the Resolution.

Sir A. MOND: We have listened to two very interesting speeches but, I must confess, after listening to them with great care, that I am still a little uncertain as to what exactly is the policy which His Majesty's Government is to pursue. Undoubtedly all those who have been thinking about commercial matters must feel the same uncertainty and that at the end of the War complicated and difficult problems may arise which will cause many of our preconceived ideas as to the best economic system under which this country can work to be revised. But it seems to me that some very fundamental questions have to be asked, and those fundamental questions have to be answered before a real policy can be laid down. One of those questions is how far are any of the steps we are asked to take going to damage the trade of this country and trade of the Empire? The hon. Member who spoke last said, I think quite rightly, that it is quite absurd that because we have now, I am glad to think, a party truce, that economic questions like Free Trade and Protection should be banned subjects. I think that limits our discussions and makes them rather empty. There seem to be a number of people, if not in this House at any rate outside, who seem to have got it firmly fixed in their heads that England has been carrying on this Free Trade economic system for the benefit of Germany, and that some of us who have advocated and defended that system have done so apparently for the benefit of German trade. That is a most extraordinary delusion. England adopted this system and has carried it on for her own benefit, but if any one can convince a Free Trader in this country that it would benefit us to drop this system, I cannot imagine any one of us who would be ready to continue it. The considerations that are put forward now are not economic considerations at all. They are the economic reprisals of war and not economic considerations. I can well understand that the country might be inclined to support a policy setting out with the idea of keeping down German commerce, and especially German shipping, after the War, which might have uneconomic effects upon this country, but let us be clear as to what the effect of that upon this country is going to be. When we had a Debate some time ago the President of the Board of Trade was urged by some of my Friends to establish a Select Committee of this House to consider some of these questions, and I am sorry that that request was not acceded to. These are some of the very fundamental questions of policy which I think such a Committee would have to consider.

The hon. Gentleman (Mr. Peto), in seconding the Resolution, very rightly remarked that he could not understand why Germany commenced this war, because she was economically obtaining all she wanted before the War. That is perfectly true. But does any one still imagine that the policy of those in Germany who started this War is based upon economic considerations? The people who started this War in Germany and the people who are carrying it on are the people who have the greatest contempt for the trade and commerce of the German Empire. They are people who for years past have spoken of German export trade as a parasite which ought to be suppressed. They are the people who even to-day, I notice in German publications,

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are saying that after the war Germany ought to have no imports and no exports. They are, in fact, the fine flower of the German protectionists and the German agrarians. Any one who has followed this question with any intelligence knows that the German ambitions which have caused this War are racial, imperialistic, and not economic. The hon. Member for Hereford (Mr. Hewins), who has been studying certain secret proceedings which have taken place in Vienna very fairly stated the views of those who took part. May I point out that this is really only one section of the views of the people who are carrying on this War. Even the Congress and the views they expressed have already created endless trouble. The Prime Minister of Hungary, for instance, is by no means ready in any way to agree that Hungary shall become a kind of economic annex of the German Empire, and has asked for a greater measure of protection against his neighbour Austria than has existed before. In Austria the manufacturers are by no means pleased with the idea of being swamped by the infinitely more capable manufacturers of the German Empire. Therefore, many of these resolutions will probably remain as pious expressions of opinion. One of the things that has struck me in reading German publications in regard to the War recently was an expression of the opinion that it is quite impossible for Germany to annex Belgium, because that would bring Belgium into the German Zollverein and create such a competition with the German heavy metal industry that the German manufacturers would not put up with it. So the problems even of the Central Powers are by no means easy and by no means straightforward. I have spent a little time recently reading a number of German publications as to what they are fighting for and what they want after the War. If ever a nation was entirely confused as to the objects of this War, or what it is going to obtain by the War, it is the German nation. I have read a very interesting pamphlet by one eminent gentleman who said the whole object of Germany is to endeavour to drive the Slav further back, and he had a great scheme for seizing a large part of Russia, sending the Russian population to Siberia, and colonising Russia with Germans. In that way he would eliminate the German imports and make Germany a self-sustained Empire. The next professor was all in favour of the Far East. Germany's main object was to get Mesopotamia. Then Herr Ballin, head of the Hamburg Amerika Line, says that Germany's future is on the sea, a statement which the other side vehemently deny. All this shows that the object why Germany is at war is not as clear to the Germans as it is to the hon. Member for Hereford. When it comes to making peace there will be a greater difference of opinion there as to what is the right policy to pursue in that country than is at present apparent.

The hon. Member who introduced this Resolution made some remarks about the metal industry, and that is one of the reasons why I rose to speak. There has been a great deal of reference about German control of the metal industry, some of which is true and some of which is exaggerated. The hon. Member referred to the nickel industry of our Dominions, particularly in Canada. I happen to be interested in that industry so I know something about it, and I may state what is the absolute fact. To my knowledge no German syndicate, no German firm, and no German capital has ever had any kind of interest, much less to speak about control, in the large nickel deposits of the Dominion of Canada. Those deposits have a curious history. They were first offered to the British Admiralty by the Ontario Government as an important matter of Imperial defence, and promptly rejected, which is usual with a Crown Department. The next exploit was made by a well-known firm of metallurgists in Swansea, who took up some of the deposits there and were unsuccessful with them. A third attempt, a successful attempt, was made by an American gentleman in the metallurgical trade in New Jersey, who managed to find a process, and the fourth attempt, and the only British attempt, was made by the company of which I happen to be chairman. Although Germans have at various times looked about prospecting, I think I am quite right in saying that there is not a single man, much less to speak

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of a refining or smelting works, in that part of the world that is in any way owned by a German firm. When you come to the Australian smelting field, you come to a serious problem. Why did the Germans get control of the Australian smelting industry? Because they were the only people to work out a process which made those ores any use at all. No amount of legislation, no amount of tariff jugglery, and no amount of treaties will ever assist you to deprive the Germans of those advantages unless you will technically improve your methods for metal trade and utilize your ordinary resources. Those resources in Australia have been developed by German ingenuity and German chemists, and if they had not been so developed the ores would simply have remained lying in Australia as they had lain for years before. Therefore you must realize that fact, and the Government must devote much more attention to it in future than they have done in the past. It is no use occasionally paying a little lip service to the development of technical industry or science. The amount of money that we have devoted to scientific education compared with Germany is perfectly ridiculous. Three-quarters of the German success in export industries,

I am convinced, is not so much due to clever arrangements of tariffs and
5.00 p.m. schedules, or to the negotiations of their diplomatists, as to their technical and financial skill. There is another point which I think should be touched upon in this connection. Our whole English banking system is one of the great bars to English industrial development. I know a case of one of the largest power schemes ever put up in South Africa, a British Colony, with British engineers and British firms ready to take on the contract and carry it out. And why did they go to Berlin? Because the Deutsche Bank was willing to take £2,000,000 worth of the capital, which no bank in this country would do. Until the Government puts forward some similar institution, something like the Deutsche Bank, so as to enable our great institutions to carry out schemes in foreign countries, you will not deprive the Germans of the economic advantages they have. Italy has been mentioned. I happen to know Italy pretty well, and I know a good deal about its commercial conditions. What is the reason that the Germans have such a hold in Italy? It is entirely a question of finance. There is scarcely an electric tramway in Italy which has not been financed by German capital. All that could have been had in this country. We could have built those electric tramways. The Italians would much sooner do business with us than with the Germans. We could have put up all these systems if any one here would finance them, and if we are really going to play that part which we ought to play in the trade of the world that is one of the most essential factors which should assist us in that object. Unless that is done, many of the other points mentioned by the hon. Gentleman who spoke before—the importance of which I do not wish to minimize—would be unavailing. I think the question of shipping is one of the greatest importance, and one which will require very careful study. I do not think there is any abrogation of one's Free Trade principles in favouring the subsidising of shipping lines or anything else. As a matter of fact, from the economic point of view, it is just as unsound for you to obtain the advantage of such subsidies from foreign Governments as it is to build up industries behind the Protectionist wall of your own Government. I would be prepared to support a Government which would say it would not allow our ships to be driven off any trade route by other shipping lines which were receiving subsidies which made real commercial competition impossible. There is, however, one point we must guard against, and that is that if you assist shipping in British lines, and are not going to control the freights those lines charge, you may find yourself in the position that you will lose your export trade by having very high freights. There is one thing I wish hon. Members to remember, and that is that after this War you ought to turn your eye across the Atlantic to the United States, the one really dangerous competitor of British trade in the future, and not to Germany, which, after the War, will be exhausted both in capital and men. I am not at all frightened by the idea that Germany is going suddenly to flood the

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world with its products. I think that nation will have lost productive capacity enormously, both in capital and men. They must begin to import before they can export, because they will be so short of a large number of essential things—war materials, like cotton, wool, and other things which are essential to them—before they can export at all. That is one of the great financial difficulties which they now see ahead of them. America will not be in that position. They will have money. They will probably have built up a considerable mercantile marine, and they will have an access of population caused by emigration to a prosperous country. Whatever we do, we must be careful not to cut off our own nose to spite somebody else's face. In other words, you must be careful not to damage your own trade in order to damage that of Germany. I hope I will not be misunderstood in saying that. Our own trade will require very careful nursing, after all the heavy burden of taxation, in competition with America. It will probably be necessary for us to take steps which we may think economically unsound in order to tie ourselves and our Allies more closely together. But those steps should be taken with a very clear vision of what we are doing. I observe that some Free Traders both in France and Italy are looking forward to forming what I may call a freer customs union after the War. The hon. Member for Hereford says that you could not suddenly switch off the entire fiscal system to that of other countries. Although a good many of us would be delighted to see that take place, I must say I agree with him. Chancellors of the Exchequer will require money, and very few Chancellors of the Exchequer will be ready to give up any sort of revenue after the War in order to assist the start of any new system. But a great deal, I think, can be done. You could adopt within this Empire more unified systems of all kinds. It is a great pity that the Dominion of Canada has got a different currency system from our own. If we could have a uniform currency system it would be a matter of great importance. There are many points of that kind which it would take too long to go into at present, but no prejudices, no echoes of former controversies, should stand in our way in approaching any of these subjects. Speaking for myself, I have been rather a protagonist for a certain school of economics, and my belief in it is in no way weakened, but I think we should approach any future problems with an entirely open mind and entirely *ad hoc*. There are others who have been protagonists of other movements, and may I say that they should not endeavour, under the guise of doing this, to advance projects which in other days they were advocates of and which they have not succeeded in establishing? I hope this discussion will have a fruitful effect, and I hope it will have the effect of leading to this. The Germans may be quite certain of one thing, that no mistaken kindness to them is going to be exercised either by this House, by the Government, or by the country at the end of the War, and if they imagine they can commit unparalleled atrocities, break every rule and law of civilized warfare, that they can ride roughshod over what every one has held holy, and that at the end of that, at their own moment, they can come back and take up their position as citizens and have the same civil life or the same trading life as before, and that their goods will have the same open markets in our Empire or among the Allies, I think they will find themselves rudely mistaken. I think that without any legislation public opinion and the common assent of the civilized world will place the Germans and their misguided Allies in a kind of moral Coventry for a long time to come, as those who have proved themselves unworthy to be classed among civilized peoples.

Mr. SHIRLEY BENN: I rise to support the Motion moved by my hon. Friend the Member for Hereford, and I believe the entire economic forces of our Empire should be brought into co-operation with our Allies in a policy directed against Germany. I was surprised to hear the right hon. Gentleman the Member for Swansea say that in his opinion the War was not brought about for economic reasons but for Imperialistic and racial reasons. I am not going to put myself up as an authority on Germany, but I venture entirely to disagree with him. I believe th

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War was not brought on by Germany to gain more territory. It was not brought on to destroy Serbia and Belgium, or to beat France and Russia, but it was brought on by Germany that she might march forward to the goal at which she aimed, the domination of the nations of the world. By that I do not mean that she meant to annex independent kingdoms, or to absorb different nationalities, but she wanted to be *facile princeps* amongst the nations of the world, and that nothing should be done unless she consented to it. Germany, if she had obtained that domination of the world, would have been in the position that if Australia or Canada had undertaken to create closer ties with the Mother Country, Germany could have objected. She would very likely have objected to France and England continuing to have fortified forts on the English Channel, because she said the Channel should be a free passage for her ships at all times. She felt that German ships should have the free right of every British port and every Imperial port. I heard a German say, "We have got them to-day, but we have only got them by permission of the British Empire, and it may be taken away at any time." Germany also wished, if she dominated the world, to see that European nations would not be in a position at a later period to assist America in maintaining the Monroe doctrine—a doctrine that Germany is bound, in the near future, if she has the power, to declare to be out of date, on account of her great interests in South America. Germany before the War had advanced very considerably her overseas commerce. She did so largely because of the education of her people, because they had a scientific and practical education, and they had the discipline that enabled them to produce cheap goods. She also had to get the markets for these goods, and those markets are found largely in the British Empire.

Germany knows to-day that she is not likely to win this War, and she thinks that she can attain her object, after the War is over, by carrying on a commercial war. We have two great matters against us—the paid agents of Germany who have tried to stir up disputes in our own country, and who are trying to sow distrust amongst the Allies, hoping that they will make our people anxious to obtain peace on any terms. The peace that may be offered to us by Germany may seem to be a very generous one, but Germany knows that, no matter what the terms of her agreements, when they are in her hands those agreements are only scraps of paper which may be thrown away at her will. When peace has been established, then we can deal with the trade war, to which the hon. Member has referred, if we make the necessary preparations. There are many ways in which we could deal with it, but I am not going to talk about tariff nor about many other economic arrangements which could be brought about in our Empire, and I wish to say a few words on the question of transportation. We have been, as all know, the great ocean carriers of the world since the seventeenth century, when we took it over from the Dutch. We hold it, and we mean to hold it. Germany is not likely to take it away from us. To-day we are not in a position to carry on our trade, as we ought to do. Our trade routes are now neglected; we have not got enough ships for the work. This is not due to ships which have been lost through German submarines—the loss has been small—but it is largely due to the number of ships which have been taken over by the Government, and ships requisitioned by the Government, for the benefit of the Allies. I am not going to deal with the question of the management of those ships, but as I have said before, if they are to be managed properly they ought to be managed by a committee of shipowners who have instructions from the Government to carry out, who know their business and who ought to be allowed to run the ships. We have too few ships, and the Government should take measures for building merchant ships to-day.

I am told that there are 250 merchant ships which have been contracted for by shipowners with the shipbuilders, previous to the War. They have not yet been built. They have been contracted for at pre-war prices, and I would suggest to the Govern-

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ment that they should take over all those contracts, that they should put the ship-yards under the controlled system, that they should build those ships as quickly as they can, that they should use them as transports for the benefit of the Allies, and that, after the War is over, they should then sell them, allowing the people who have contracted for them to take over those ships at a price fixed by arbitration, the arbitrators to take into account not only the contract prices but the conditions created by the War, and the value of the work done by the ships during the War. If we would only do this, and build more ships, we would be able, after the War is over, to control the trade of our Empire, and we would not find people, as I am sure will occur, wanting to see German ships admitted into our trade, owing to lack of tonnage. The hon. Member for Devizes (Mr. Peto) spoke about the old navigation laws. I am not going to suggest to the House that they should be re-enacted; they did a great service in their day. Adam Smith, a great Free Trader, said that in his opinion the navigation laws were the wisest piece of legislation ever passed by England. We had to give them up, as far as America was concerned, in 1815; when we went in for reciprocity in 1822, Germany, or as she then was, Prussia, made us give that up and enter into a reciprocity arrangement with her, by introducing fresh legislation against British ships. What we want is to see new laws enacted by which the trade of our Empire will be retained for the citizens of our Empire, by which the ports of our Empire will be retained for the benefit of our own people, and by which we shall be able to give the benefit of our ports to foreign neutral countries that are willing to reciprocate with us. If we will only do these things and prepare now, we shall be able, after the War is over, to defeat the policy to secure the success of which Germany went into this War.

Mr. PROTHERO: Much has been said about organizing our economic resources for the War, and we ought so to organize those economic resources that they will apply equally to the conditions arising out of the War. Peace will have its dangers, just as much as war, and if we have been unprepared for the one, we ought not to be unprepared for the other, for we cannot afford to be caught napping twice. The hon. Member for Hereford told us about the Central European League, and I should like to say one or two words about that league, because, in my opinion, in spite of what the right hon. Gentleman, the Member for Swansea has said, it is for the formation of that league that, among other things, Germany has gone to war. Anybody who is acquainted with the writings of German political writers in the last few years knows what is meant by the Pan-Germanic ideal. At the present moment Germany has obtained by the mailed fist that Pan-Germanic ideal. From Hamburg to Bagdad she has what may be made into a customs union, a Zollverein, with preferential duties against all other nations. The only point on which I wish to insist is this: it is of vital importance to this country to have the support of Rumania, and it is of vital importance to this country to have the support of Greece. If you now allow the Pan-Germanic League, or the Central European League, as it is called, to occupy the countries both to the east and west of those two States, you are allowing Germany to bring tremendous instruments of persuasion to bear upon those two nations, instruments which it is very difficult for them to resist.

One of the advantages which I think the Government would derive from their taking up the project outlined by the hon. Member for Hereford is that you would create a counterpoise, a valuable counterpoise to that tremendous economic pressure which at this moment Germany is bringing to bear both upon Rumania and upon Greece. If we lose the support of those two countries it will mean not only military pressure, but, as I believe, what is still greater, the financial pressure of that European League. Just think of their position, if Germany were to emerge, I will not say victorious, but in a position to make a peace advantageous to herself. Those two countries would be isolated, and that is the threat that is brought to bear upon them. We have also heard something, but not, as I think, sufficient,

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about the organisation of the economic resources of the Empire for the purpose of prosecuting this war. There is one point connected with that which I tried to bring to the attention of the House last spring. I urged upon the House at that time a larger organisation of the Imperial food supplies of the Empire than anything which has yet been attempted. I had two objects in my mind. I hoped to secure our food supply, and I hoped to reduce the rate of exchange against us, which was even then alarming those who watched the movements of money. I should like to include the enormous supplies which this Empire will provide us of raw material and munitions of war. We can to-day obtain from within the Empire all the wheat supply that we want in this country, with a margin of something like 12,000,000 quarters for all contingencies or for distribution among the Allies. We can, again, from New Zealand and Australia, supplemented, as the supply will soon be, by that of South Africa, obtain a sufficient amount, or the requisite amount, of meat to make us independent of Argentina. Surely it is better that we should be in command of these necessities of life, or that they should be in the hands of our own Dominions, who, like ourselves, are belligerents, rather than they should be in the hands of neutrals who, however friendly, are not likely to forego the opportunity of exploiting the necessities of the belligerents. We have the opportunity to do so. Then, again, as to raw material. We are ordering from the Dominions large quantities of raw material; we are also ordering large quantities of munitions of war. Canada alone has sent us rifles and submarines, khaki and shirts and blankets, and leather goods, such as boots and saddlery. Not only food but munitions and raw material are coming to us from within the Empire.

We can make with our Dominions financial arrangements which would enormously relieve our credit and reduce the rate of exchange. If we could induce our Dominions, with all these vast orders—and vast they are in amount—to deal with us on credit, we should be able to obtain those goods, and we could at once relieve the financial pressure and reduce the rate of exchange against us. What an enormous advantage that would be to us anybody knows who studies the prices which we now have to pay under the adverse rate of exchange. I believe that already Canada is partially allowing us to deal with her on credit. It is not Canada alone that can afford to do it. We must remember that trade in the Empire, so far as sales are concerned, has suffered very little from the loss of the German or Austrian markets. Whatever loss is sustained there has been more than compensated for by increased trade with ourselves. India is prosperous, Australia is prosperous, New Zealand is prosperous, as well as Canada, and a joint measure for dealing with us, the Mother Country, on credit, would be one of the most valuable assets to enable us to prosecute the war at the present moment. Such is the temper of the Dominions overseas that I believe they would cheerfully assent to such a proposition, and they could afford to do it. They would, at the end of the war, benefit by having done it. They feel that this is their war as much as it is ours, and that their interests are in it, and it is on those grounds they join with us and wish to see us through. That is the proposal which I should like to press on the Government, and, though I cannot hope that it is a new suggestion to them, I can at least hope that the minister in reply will tell us to what extent that system of credit is being allowed by the Dominions overseas, and whether there is a prospect of its being increased.

Mr. CHAPLIN: Having been for many years associated with my hon. friend the member for Hereford (Mr. Hewins) on the Tariff Commission and otherwise, it is with the greatest interest I listened to the very interesting and able speech which he delivered to the House this afternoon, and in which he dealt with the scheme which he believes and hopes could be aimed with great effect at the

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economic organisation of Germany. That policy has been organised in Germany for many years as thoroughly and completely in all respects as have been her naval and military armaments, and with the one object of eventually making her supreme, at all events in her belief, over this country and over the British Empire. That policy, I find, is based very largely on treaty arrangements which originally resulted in the establishment of a Zollverein, and the wide extension of that treaty system afterwards so as to bring together into something in the nature of a commercial union the Central European Powers in concert, so to speak, with herself. There is another question of great importance which I wish to submit to the House, namely, the securities, both industrial and commercial, which largely enabled Germany to raise her loans, either for war or for other purposes, and which, as the hon. member told us just now, in order to support her paper currency, represent the relations between her and those other treaty countries. It is essential for her interests that those relations should be strictly and carefully maintained. Owing to the war, very naturally these securities at the present time possess very little, if any, value at all, and how far they will ever be able to recover their pre-war value depends a good deal, so far as I have been able to follow this question, upon the steps that may be taken, and which I believe are perfectly possible on the part of ourselves and our Allies in conjunction with our Dominions, to block the way to the restoration of that value and the re-establishment of the German financial system in the future. My hon. friend put this question: How can this be done? And how does he propose that a thing which is so desirable, as this Parliament and the whole country will agree, can be accomplished?

Here let me say a word on the scheme for a commercial union. The economic policy which resulted in the establishment of the German Zollverein began in the reform of the Prussian tariff in 1819. That gave Prussia a uniform tariff and enabled her to get rid of the whole of a number of subsidiary tariffs which were previously in existence. In that way the Zollverein, as a matter of fact, became the basis of what is the present German Empire. It is by those treaties that the German conventional tariff came into force. That is another subject of great interest to which I will refer directly. I am quite sure it will be seen how greatly all German tariffs are and have been influenced by her present treaty system. Let me make it quite clear, if I can, what the *modus operandi* is and has been. In the first place, Germany arranges her general tariff, and when that has been accepted by the Reichstag, Germany negotiates with the central countries in Europe, the Central States, for mutual advantages. As a result, certain duties in the general tariff have become by degrees modified, and modified by convention. The conventional tariff, with the modifications and through the operation of the Most-Favoured-Nation Clause, which is included in nearly all German treaties, becomes very widely generalised, and her general tariff remains, to all intents and purposes, practically nothing more or less than a penal tariff. In addition to those treaties Germany has about 28 Most-Favoured-Nation Clause treaties, as well as a number of most-favoured-nation agreements with various other countries. Thus in practice the conventional tariff in Germany prevails in almost all other countries. Germany has, in addition, very wide powers in the case of any hostile action towards her tariff arrangements by which she can supertax, if she pleases, the goods of other countries going into Germany to the total extent of their value. It will be seen, therefore, how very greatly all German tariffs are influenced by this treaty system.

That brings me to the question of the effect of the German view of the Most-Favoured-Nation Clause in treaties. This is a subject to which I gave considerable attention some few years ago, at the time when the Reciprocity Agreement was proposed between the United States and Canada. The result of the general election which occurred at that time in Canada, very greatly to my relief, put a stop entirely

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to those proposed arrangements, at all events for a time. Since 1860, with here and there certain occasional exceptions, the British principle has prevailed and is recognized generally by most countries, including Germany herself, that principle being that every most-favoured-nation country must grant every tariff concession to the United Kingdom which they extend to any other countries. The great majority of the countries, including Germany, as I have said, accept that principle, but there is an exception and an important exception, which is the United States of America. She demands in every case that the same concession for concession should be granted from one State to another, and that it should only be extended to other favoured-nation countries who give the same corresponding concession.

I want to consider for a moment how we fare under the existing German tariff. I take the question of her exports. For the year 1913 they amounted to £1,026,000,000; 20 per cent of those exports went to this country, 28 per cent to our Allies. That is to say, 48 per cent, or nearly one-half, of the whole of her exports in 1913 went to ourselves and our Allies. That shows that we have a weapon of enormous power for negotiation or any other purpose, if we think it right to use it whenever the time comes. Of course, at the present moment we are at war. I do not forget that, and I am sure my hon. Friend the Member for Hereford does not forget it. It is impossible that at the present time we should enter upon any large controversial question relating to the economic policy of Great Britain or of her Allies. I entirely agree that it is more than doubtful whether the changes in our commercial policy which were so strongly advocated for many years by one political party in particular may be revived in precisely the same form again. What we have to deal with now is what can be done during the war and under war conditions. What can we do to injure our enemy as regards her economic situation? What we can do, and what I think my hon. Friend had chiefly in mind, is this: We can excite, if we choose to do so, immense apprehension in industrial and business circles in Germany at the present time. We can do something more than is being done to undermine her financial situation, which, Heaven knows, from all we hear, is bad enough already. We can hamper her still further, I believe, when she requires to raise loans.

In my judgment we ought to hamper her in these different directions in every way we possibly can. It might be done, I think, as follows. I am speaking entirely for myself. There might be some extension of the list of import duties carried in the recent Budget. Something might be done by joint action with our Dominions and with our Allies against the economic interests of Germany. England alone is very powerful in that respect already, but England, combined with her Dominions and her Allies, would be the most formidable instrument in the world that could possibly be brought against the future interests of Germany's industrial, economic, and financial position. Suppose such an extended tariff as I suggest was put forward by this country. How would Germany fare under it? She would hate it. It would alarm her beyond everything, I believe, as an indication which she could not mistake that the United Kingdom was going sooner or later to place herself in a position to resume the power of tariff negotiation which she has lost for so many years. Suppose she used that power, as she could use it at any time she pleased, what would be the position of Germany? Could she refuse to entertain our proposals or to listen to our very right, just, and proper demands? If she did it would be in the joint power of those to whom I have referred to place her in the awkward and disagreeable position of losing one-half of the whole of her exports as they stood in 1913. What they may be when the war is over I do not know. There can be no doubt that that would be a most powerful weapon in our hands. If she was obliged to meet us, or whether she was obliged or not, if she met us, what would be her position? The same concessions that she made to us she would have to make to every one of the different countries—and there are a vast number of them—with which she had Most-Favoured-Nation Clauses in her treaties. It appears to me that Germany, in these circumstances,

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would be placed in a position of enormous difficulty, from which it would be very hard, if not impossible, for her to extricate herself altogether.

That is, as briefly as I can put it, what I understand to be the meaning and the object of the motion of my hon. Friend. Having given this subject for many years very close consideration, and in view of the reasons which I have put as clearly as I can before the House, I believe that this motion is deserving of the most anxious and careful consideration on the part of His Majesty's Government, and I do express the hope—and something more than the hope, for with me it amounts to a conviction that they ought to do something—that His Majesty's Government will take into consideration with as little delay as possible the proposals that have been made this afternoon as war proposals against Germany.

Mr. MACKINDER: I wish to say a word or two on two points arising out of the speech made by the right hon. Gentleman the Member for Swansea (Sir A. Mond). I suggest that that speech was a very important one, marking, as it seems to me, when taken with the speech of the hon. Member for Hereford (Mr. Hewins), a very substantial progress towards national unity in economic policy. It matters not that the right hon. Gentleman described as economically unsound certain proposals which might be brought forward after the war, because he said that you might of necessity have recourse to economic reprisals, and that, though they would require to be scrutinized very closely, yet he would approach them with an open mind. It seems to me that we can say that the only real difference between the two great schools of economic thought which have contended during the last few years is this: that while, as those on one side thought, the economic system of the world was adapted to peace conditions, they evidently recognize that in war time you may have to resort to measures which regarded from the point of view of that system may be unorthodox and even unsound, and those on the other side hold the view that we might have a condition of economic war in peace time, that economic reprisals might have to be taken, although not in connection with actual military operations, and that after the war you may have a continuation of that system. We consider simply that you had an economic pre-war just as you may have an economic post-war, and the sole difference between our systems is as to the judgment when you are at war economically and when not. I remember talking within the last two or three months to a gentleman, a very strong Free Trader, who was once a member of this House. We were talking quite peacefully on this subject, and he said to me, "Eighteen months ago I would not have allowed you to talk in that manner under my roof. I freely admit we had no idea that any nation would be so wicked as the Germans have proved themselves to be."

When things come down to this, I think we have made very great progress towards that national unity which is necessary for action in the economic sphere. I cannot help feeling that the two speeches made this afternoon by protagonists in the economic warfare of recent years mark a very important stage in national unity which we hope will be preserved for the good of the Empire, at any rate for some time after the declaration of peace. There was a point in the right hon. Gentleman's speech with which I find myself in the heartiest agreement. It had reference to the relation of the banking system of this country to our industrial system. I cannot help feeling that we have got to take, together with the representatives of the Dominions, probably some considerable, though, I hope, because it is a very delicate subject, very carefully-considered action in connection with the banking system of this Empire. It is notorious that, as between the bankers of this country and the bankers of Germany, there has of late years been a great difference in this—that our bankers have regarded it as essential that they should keep as much as possible of their assets in a liquid condition. They have had to do so because we were the banking centre of the world. We stood to be shot at by all the countries.

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We were, therefore, of necessity, in a condition of being what we call a free gold market. We claim for ourselves, as I think, to be the great gold market of the world. But I have this feeling, and I have had it never more strongly than since this war has been going, that in thus adapting our system to the conditions of the international banking centre we have run the great risks—if we have not actually done harm—of starving the industries which give employment to our people here, which maintain our population, and maintain within our Empire the production of those materials which this war has shown to be far more important than the accumulation of money. It is rather absurd, when you come to think of it, that a farmer in a district in England or a manufacturer setting up a factory in this country, or contemplating the export of machinery and the setting up of a factory somewhere in the Empire, should suddenly find his banking accommodation drawn in, not because of anything he has done, not because of any condition of things in this country, but because there is a crisis of affairs, it may be, in the United States of America. Under the old condition of things the banker in the district took money from his clients on one side and lent it to the other. If he acted soundly the circle was complete. If he did not act soundly, then there was local disaster. But at least we had a condition of things in which the capital of this country was not locked up to the extent it is at present, not in developing our industries; it had not to be kept relatively idle for the purpose of meeting contingencies in remote portions of the world. Whether it may be possible to insert between our banking system and our industrial system something in the nature of industrial banks, I do not know. Of this I do feel certain, that no more fruitful matter could be considered by the economic and financial experts of the Empire than the way in which we can, both during the war and after the war, utilise our wealth, and not merely for the purpose of facilitating the operations of the peoples of other countries. We hold, I believe, a large sum belonging to Germany at the present moment because of the facilities we have extended to her, and which might be used primarily for the production of materials and products in this country.

In his observations the right hon. Gentleman seemed to fear American competition more than German competition. I am not at all sure that that statement ought to be accepted without a certain amount of scrutiny. It is perfectly true, of course, that at the present moment the United States is becoming rich. It is perfectly true that the people there are accumulating profits. They will, we assume, have cheaper capital than we have after the war. But I have an impression that to a certain extent their cheaper capital may even flow here, and be utilized here when the conditions become a little more similar on the two sides. I cannot, however, conceive that you will have of set design and economic warfare in the least comparable to that complex scientific system of economic destruction which Germany has been wielding for years past, and which undoubtedly she is contemplating as a weapon in the immediate future. It is not merely a question of tariffs. It is a question of utilising your banking resources, treaties, in all complicated ways, of utilising prohibitions, of utilising all manner of mechanism, not merely legislative, not merely of laws, but of pursuing a policy in the conduct of the departments of your State. At present it is notorious that one of the directors of one of the great German shipping companies is for all practical purposes the Kaiser himself, and I mean by that the German Government. You have the whole economic resources of that country normally utilized, even in peace time, and treated as horse, foot, artillery, aeroplanes, battleships, and submarines; the whole economic armoury of the State utilized for the purpose of forging a way amid the competition of the world. You have nothing comparable to that in the case of the United States. Therefore, I have not quite the same fear of American competition that I have of the competition of Germany.

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More than that, I am not at all sure that we do not exaggerate the importance of accumulated capital. After the Franco-Prussian war the world was surprised at the speed with which France recuperated. Those were days when we were just beginning the tremendous modern power of multiplying your manpower by machinery and scientific appliances. We have gone very far in these forty years. To-day the power of manufacturing, the power of production, is something quite unparalleled, not merely in the past history of the world, but in the very recent past history of the world. In 1870, to take only a single example, only 10 per cent of the world's shipping was propelled by steam. To-day, I believe, less than 10 per cent is moved by sail. You have had such a revolution in man's power over the material resources of this world as is probably hardly appreciated by the immense mass of even the educated people of our country. With a stimulus to high interest for your capital, the world will save. It will save when 10 per cent can be made, but not much when only 3 per cent can be made. That stimulus with Germany will be to export, because she has a paper currency. Under the conditions of the stimuli, and with modern power, I believe you will find that what was done in a few years by France in the way of recuperation, to the astonishment of the world, will be vastly excelled by the great countries that are fighting at present. Personally I cannot believe that you will see half as much depression as has been suggested in various quarters, in view of all the various historical precedents. I do not see that the mechanism of production, the national plant in Germany, has been to any extraordinary extent destroyed. For that reason, I believe that you will have to face a rapid restoration of German scientific competition, and that you must set that against any mere accumulation of wealth that during the war is due to profits in the United States. Let me make a small point there.

There is, I agree with the hon. Member for Hereford, a tendency at the present to exaggerate thus far the economic consequences of the war in Germany. The newspapers, I know, are pointing out at this moment the great and sudden fall in the rates of exchange as between Berlin and New York, Amsterdam, Switzerland, and other neutral countries. But in all these matters you must take not only the degree of fall, but the area of fall. If you are importing a small quantity, but exporting a very much smaller quantity, it is likely that your exchanges will fall, and you will have a difficulty in making payments. After all, you are only doing trade on a very small scale as compared with the circle of trade internally that is supporting your nation on its internal resources. Though the actual figures will show 20 or 25 per cent fall in the rate of exchange, the meaning of that is small indeed as compared with what a similar fall would be in our case where we are doing an immensely greater trade and where there is a vast import, and you have to find the means of paying for that import. Therefore, the suggestion in the newspapers, taken up by those who judge quickly from appearances, that Germany is in great stress and great difficulty at the present time because of the fall in value of her money and the fall in rates of exchange, is a suggestion which I think must be very cautiously guarded against. It is necessary to point out—and I hope it will be very generally pointed out—that no very large inferences must be drawn from that fact. What we have to face at the present moment is—and I agree with the hon. Member for Hereford—still the very solid and serious fact of the economic strength of Germany, and that it will require the strength of our Empire to meet it.

It was pointed out by the hon. Member for Oxford University what might be undertaken as the result of a conference of the Ministers of the Empire, as is asked for by the hon. Member for Hereford. We cannot, it seems to me, too frequently drop all idea of money out of our consideration of the economic position at the present moment. What matters is actual food: materials for the making of munitions, and not the values attaching to the rise and fall and the higgling of the market. As has been said so frequently of late, that may go spirally up because you earn more in wages, and you

are willing to give higher prices for commodities, and so you see the co-saw. Prices may actually work down and the produce may remain the same. Let us see that the actual productions—the actual necessities for carrying on that very physical thing, the war—are attended to. What is the position you have got in Germany, a great organizing centre? She has for practical purposes, more than double—considerably more than double—of her normally productive area. Germany has annexed, for the time being, all the region producing food of Hungary, whatever afterwards may be the Hungarian resistance. She has Poland, Belgium, a portion of France, and now—we do not know with quite what effect, for no doubt there is a considerable difficulty in moving along a single line of railway—to some extent she has annexed the resources also of an undefined area in the Near East.

Germany is treating all that as a great estate. German administrators, I am convinced, are not thinking in terms of money, but in terms of food. They are thinking in millions of pigs. They are thinking in tons of oil. They are rationing their people. What we have to do in order to meet them is to think in similar terms. We have not acquired great areas, but we had within this Empire vast areas before the war began. What we have to do is not to acquire, but to organize. I venture to think that one of the most valuable things that could be done by such a conference as that which we hope will take place would be that those who are setting to work to investigate for that conference and to supply it with its data should definitely try and set down, as the Germans are, I am sure, setting down, what quantities of the different commodities are wanted, in order not only to rival Germany, but double her products, and we ought to go to work by treating portions of the Empire as plantations. We ought to produce those things, because we can produce everything within this Empire practically that can be wanted. It is a very practical thing that we are asking for. We are thinking what may happen, incidentally after the War, but we are thinking at this moment simply of turning the resources of this Empire to their maximum use at the present moment, and we are little concerned, provided no great injustice is done with problems of distribution. But if you are going to attain to the maximum production, if you are to get the necessary capital spent in order to refine ores and produce the necessary metals, whether rare or common, it is necessary that you should give security. You are bound to think of conditions after the War from that point of view. If you are to induce people to put money into banks for creating great metallurgical industries, then you must give them some assurance that they, and all their works, will not be jettisoned when the War is over. I do not say at this moment whether it is to be by tariffs or bounties or prohibitions, or by means of facilities in banking for obtaining capital—what you will matters not. But this is necessary: That the Empire should assure for those who venture on creating such a new spelter industry, those who venture on replacing the Germans in the refining of the rarer metals essential for the hardened steel, for instance, should be assured, and assured as emphatically and as authoritatively as can be, that they will find the Empire standing by them when they have invested their capital, which can give no adequate remuneration during the year or two more of the War, but which must bring in a remuneration extending over ten or twenty years before the very capital itself can be replaced. That service is essential, and for that reason, therefore, it is essential that this conference, whenever it meets, should to a certain extent look forward and should to a certain extent keep, at any rate, the beginnings of the permanent policy in view.

We have had references by hon. Gentlemen here to the cases of shipping, and to the cases of ores within the Empire. I would like to refer to just one other subject, in its nature comparable with those, and it is to what are often called key industries. We have heard a great deal in old days of dumping from German sources on the basis of a great hundred million market, consuming a portion of its own product, and

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using the remainder of its product as so many projectiles for destroying the fixed capital in neighbouring countries. Thus, things which were economic projectiles in the economic war which preceded this War were not used so much on our great industries, but on the key industries. The case of dyes is notorious. There is a key of two millions for the purpose of unlocking a two hundred million industry. The Germans captured the key, and when we went to war they kept the key in their own pocket, and you have been left hampered, not only in your home production, but seriously, as I know at this moment, in your export of manufactures to that very American market where you are so desirous of paying your debts. The same is true with regard to rare metals, electrical machinery, and with regard to the very glass you would put into the optical glasses wanted by your soldiers. Scientific Germany took the keys from you. She damaged or destroyed your small key industries necessary to open our great industries. We are attempting a great task at this moment in all portions of the Empire to re-erect those key industries, and there must be no question about it, by whatever method we do it, in one way or another the key industries which are necessary to the great industries must never again be lost to this country and Empire. From that point of view it does seem to me that the speech made by the right hon. Gentleman the Member for Swansea (Sir A. Mond), indicating as it does willingness from his side for economic unity in the nation, is the most important fact we are likely to have to-day except the speech we are hoping to hear from the right hon. Gentleman who sits opposite.

SIR CROYDON MARKS: I approach this question, not from the point of view of controversy, but from the point of view of building up industries which must inevitably be built up at the close of this War, and of maintaining those industries which at the present time have been destroyed. This War is now being contributed to industrially, and from a manufacturer's standpoint, by all the Allies. We have made an alliance by means of which the manufacturer in Canada, equally with the manufacturer in Italy, and the producer in France, and the manufacturer in England, joins hands to fight a common enemy. I want to suggest that this alliance which has already taken effect shall never be permitted to be broken down again. We have to remember that when this military War is over there will still be a commercial war and an industrial war, propagated with stronger and more embittered means than have been hitherto known to us. If, therefore, our Dominions and the Allies with all the resources they have—obviously when allied greater than Germany and Austria together—continue when the War is over, thus in alliance we can win in that War which they intend to carry on, and which they must carry on when the other war is finished. Therefore, to-day I am in the strongest possible agreement with the Motion of the hon. Member for Hereford, that we should lose no time, that we should in this matter not be too late, and that we should in this matter not lack the effort which is needed to make ready for the work which will have to be done if we are to begin our commercial war, and propagate our industries as they ought to be propagated now that we have made this alliance.

The whole world depends upon its industries. By the inventive genius of its citizens there are new processes, new inventions, new discoveries made every day in every nation. Each nation expects its own citizens to contribute to its success by giving to the nation that which they have discovered, rather than keep to themselves the benefits, and, therefore, the most ardent Free Trader has the most absolute confidence in the right that the State has to impose a monopoly upon the whole of its subjects for a period of fourteen years, so that the man may have the sole benefit of that which he has produced, while the others pay him toll, in order that after the fourteen years the State may benefit by that which the man has himself developed. Now every nation possesses that to-day, and there is a very practical way, without treaties of an elaborate nature, by which the alliance, at the present time a matter

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of solidity, can be made a matter of permanence. If all the nations now linked together in this fight against Germany so far as the military standpoint is concerned continue to be linked together to fight against Germany so far as the discoveries are concerned, we can beat Germany no matter how she tries, because no nation can lay claim to, or have a monopoly of, the inventiveness of the minds of those thus scattered about.

I, therefore, suggest His Majesty's Government should take steps to make all the Allies know that any invention produced in one country need not of necessity be compulsorily worked in the other countries, but that the working in one country shall be considered to be sufficient working in the other countries without the patent itself lapsing in those countries. Hon. Members may not appreciate that at the present time if any one in this country produces something which is valuable, unless within a certain time he sets up a manufactory in Australia, say, that invention becomes of no account. Any one in France producing an invention, and setting up an important manufactory there, giving himself great difficulty at the initial stages, unless within four years he sets up another manufactory in this country, then at the end of that time his patent may become of no effect to him. The same thing happens in all the other nations allied together. Therefore, I suggest that His Majesty's Government should make it known that hereafter there will be no penalty attaching to a man of his patent being taken away from him in one country of the Allied area, provided he gives to the other countries the same facilities of not being obliged to work there that we seek to give in this country. We at the present time have gone some steps in that direction already. We passed in this House the other night in twelve minutes through all its stages a Bill which exempts the citizens of France, Italy, Belgium, and Russia from being obliged to work in this country any invention they may have patented here during the four years in which they were supposed to work, and that has produced a good effect, and if that can be continued hereafter we can have an alliance that will build up industries of which we know nothing at the present time. But do not let it be imagined, as some hon. Members seem to imagine, that we have lost our industries in this country before, owing to the fact that the Germans possessed a mind to appreciate their advantages and develop them more than we ourselves have done. We have lost our industries in this country—I could give dozens of examples, but I will not weary the House with them—not from the fact that we not invent them, do not originate them, and are not concerned with them, but from the apathy, the indifference, and the satisfaction of the British manufacturer to do just a little, and then retire upon that which he has done. We have not enough pride in our manufacturers. The man who succeeds very often to a great business has not that initiative which would have produced it. He succeeds to a competence, and he is more concerned in being a rich man in his own district, or a man about town, or a countryman, or a sportsman, than he is to be known as a manufacturer. To such a man in his own district the last thing he would like them to know is where his money came from, or as to how he produced his wealth if it came from trade. That kind of thing has to go down and be destroyed if we are ever to be the first industrial country in the world. I am supporting the Motion of the hon. Member for Hereford to-night, and I am sure he would not have imagined some years ago that that at any time would have been possible for me to do. I am now supporting his Motion, as I am supporting other things because when one sees a civilized nation resorting to barbarity in order to conquer the world, the ordinary lines of cleavage and differences of opinion must go, and you must meet that nation by means never dreamed of before. Therefore, I want to join most strongly in an appeal to the Government not to treat this as an academic Debate, or a kind of letting steam off by Tariff Reformers, using arguments because some of their supporters are in the Government. I ask them to treat this from the standpoint of a desire on the part of all hon. Members to develop the interests of this country, and let the nations of the world see that we intend to conquer Germany industrially, scientifically, commercially, as well as from the military standpoint.

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Mr. ANNAN BRYCE: I hope that the appeal which has been made by the hon. Gentleman who has just sat down will not be lost on the Government. There has been a feeling, which I have no doubt has partly actuated the Mover and Seconder of this Motion, that there has not always been through the action of the Government a realization so complete as there ought to have been of the methods of warfare which are waged upon this country by Germany. The Government have always professed a desire to meet the German warfare in every way, and in their speeches the members of the Government have all through been admirable, but we have always felt that the Government have been too much inclined to think that when they have made a speech they have done something, whereas, as a matter of fact, all that has usually characterised them has been more strength in speech than in action. I believe that the hon. Member for Hereford was really anxious in bringing forward this Motion to get the Government to define its position, and tell us whether they mean at the end of the War to pursue the fight against Germany, as it will certainly be necessary to pursue it, or whether they are going after the War to kiss and be friends. There has been an impression that that has been the action of certain members of the Government, but I am sure that is not the attitude of the President of the Board of Trade who is going to answer us to-night. We beg the right hon. Gentleman to remember that what we want to see is not merely words but actions. I can corroborate from my own experience a great many of the facts stated by the hon. Member for Devizes (Mr. Peto). He referred to our trade further east than Ceylon in the China Sea, where the same class of warfare against English trade and shipping was pursued for many years with the result that the transport trade with the Malay Archipelago and the China Seas was taken away from the British Isles. I was glad to hear the right hon. Gentleman the Member for Swansea (Sir A. Mond) say that he would not object to a war against subsidies. That would mean either that we should have no subsidies ourselves, or that we should prevent subsidised firms from trading with our ports. No one can tell the vast amount of damage done during the last thirty years by the subsidising of the two great German lines of steamers, the Hamburg-Amerika Line and the Nord-Deutscher Lloyd.

The right hon. Gentleman the Member for Swansea underestimated and did not seem to think that the benefits alleged by the hon. Member for Hereford and the hon. Member for Devizes justified them in attaching so much importance to German economic warfare and he seemed to think that the War had been mainly promoted for racial and military reasons. I do not think in that he is altogether right, because there is a great deal of evidence that the most vigorous supporters of the War in Germany and the most active haters of England were the members of the National Liberal party which had very little sympathy in its origin with the Emperor's party, but was entirely dominated by the idea of the increase of the German language and German trade at the expense of English trade all over the world. The right hon. Gentleman the Member for Swansea seemed to blame the English banks, as compared with the German banks, for the small support given to the interests of English trade. The English banks are doing quite a different service to the trade of the world to that done by the German banks, and it would be impossible for the English banking system as conducted to-day to adapt itself to the necessities of the case. The English banks have an enormous proportion of their deposits from the public in proportion to their paid-up capital, and it would weaken them if they were to invest their money in assets which were not mobilisable, such as those in which the great German banks invest their assets. The result has been that although the German banks have a comparatively small proportion of liabilities to the public, as compared with the English joint stock banks, they are often in times of industrial crisis very much embarrassed, and you have, as a result, a much more serious state of finance in Germany from time to time with the varying course of industrial success or failure. There have been in the course of the last fifteen or twenty years practically no crises in England in this respect, whereas in Germany there have been several very severe crises. If English banks are to perform the func-

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tions which German banks perform in spreading trade over the world, there must be some institutions supported for that particular purpose in England. There are some institutions which do that kind of business, but it is perfectly true that there are not at the present moment a sufficient number of institutions of that character.

I think it would be necessary if the Government is to make any serious effort in the direction suggested by the Motion, and if we are to make any serious attempt to meet the difficulty of the position, especially in the case of our Allied nations, they must be prepared to come forward either with a subscription of the nation's capital or by giving guarantees which will enable English industries to effect a lodgment in the Allied countries. There have been proposals which the President of the Board of Trade told us in his speech on the Motion for the Adjournment he was considering upon that question in the case of Italy, and I hope since that time the right hon. Gentleman has made some progress in his enquiries. The case of Italy is very important, because there has been a very complete penetration of Italy by German trade, and the way in which Italy can be rescued from that position is by some English institutions in alliance with Italian institutions to provide methods of finance which so far have been provided by the Germans. I think if the right hon. Gentleman will give us a satisfactory assurance with regard to the determination of the Government to act in these matters, the object of the Mover and the Seconder of this Resolution will have been amply fulfilled.

Mr. PENNEFATHER: I would like not only to support the Motion of the hon. Member for Hereford, but also to congratulate him, the House and the country upon the initiation of a Debate which is evidently going to be one of first-class importance. One of the encouraging features of this War I hope will be that we shall be able to say that it has united the people of the country not only in the arts of war, but also in the arts of peace. When we come to consider a commercial matter of such vast importance as the reversal or upheaval of our former policy in regard to international trade, it is perhaps as well that we should endeavour to have clearly before us the details of that trade in some degree in their relative proportions. I think it might be invidious for any hon. member on this question to compile his own figures, because he would be open to the imputation at home and abroad that he had been impelled by his patriotism, or by some other motive, to juggle with the figures unduly in favour of this country and against the enemy. It was, therefore, with great satisfaction that two or three days ago I received from an old friend of mine in America, the editor of a well-known newspaper called "Commerce and Finance of New York," a very complete analysis of the international trade of the world. He was dealing with that international trade very much on the lines upon which we have to consider it at this present juncture. He was dealing with it from the points of view of war, and I would like to quote one or two brief passages from the paper which he has sent me:—

"This is a war of economic endurance."

My friend, Mr. Price, states,

"On the one side as aggressor is a group of three nations"—

the three nations which are our enemies—

"who control 18 per cent of the world's trade and about the same proportion of its wealth and population. Against them there is actively arrayed another group"—

ourselves and our Allies—

"who control 50 per cent of the world's trade. To the flags of this group half the population of the world owes allegiance, and under their flags more than half the wealth of the earth has found protection. The neutral portion of the world is, for the most part, linked by commercial self-interest or racial and political sympathy with this same faction which dominates half the population, wealth and commerce of the planet. It is unthinkable, with such a preponderance of men, wealth, and commercial power on the side of law and democracy, that the small minority of lawlessness and autocracy can triumph."

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That strikes me as being a very sound summary of the position. It is a summary taken at large. It might interest many Members of this House to have it divided up and analysed a little more closely. I therefore quote these figures:

"In round figures the world's international trade prior to the War was distributed as follows: Great Britain and her Allies 50 per cent; United States and Latin America, 18 per cent; Neutral Europe and China, 14 per cent; and the Teutonic Allies, 18 per cent."

That totals up to 100 per cent. Then it goes on to say:

"Of the goods exported from the United States and its Colonies, 57 per cent went to the Allies and 14 per cent to Germany, Austria and Turkey; and of the imports into the United States and its Colonies, 46 per cent came from the Allies and 11 per cent from Germany, Austria and Turkey."

Those figures seem to establish that not only have we a superiority, as we believe, in naval and military matters, but that we have most indubitably a superiority in commercial matters. In other words, the Allies, controlling more than half the international trade of the world, are in the position of senior partners in the great business of the world, and the Allies must inevitably, with the assistance of the friendly neutrals, be able to impose upon our enemies whatever policy the Allies consider to be advisable. That is the position of the Allies as a whole. They control more than 50 per cent of the international trade of the world. But the British Empire is again the senior partner in the great firm of the Allies, because the British Empire controls nearly one-third of the total international trade of the world. That in itself is a very strong reason why it is up to the British Empire to form a league with the other Allies in this matter of regulating the trade of the world when the War is over. I ought at this point to say that some critic might with reason point out that the figures which I have quoted relate to before the War, and that since the War many and important changes have taken place. It is true, as a previous speaker has pointed out, that the Germanic Powers have, temporarily, at all events, increased their territory by the absorption of territory formerly belonging to other Powers, but, as against that, we must not lose sight of the fact that the Allies have conquered or are conquering from the Central Powers immense territories overseas—territories which I think exceed 1,000,000 square miles, and include a population of something like 18,000,000. That is something to put against any gains in territory and population which Germany may have made in Europe. There is another thing to be said about the calculations I have read out. It has been assumed that the Central Powers have 18 per cent of the international trade of the world. Not now; thanks to the British Fleet and the Fleet of the Allies the international trade of our enemies to-day is practically nil.

We must not be content with considering the part which the empire plays in international trade. We have also, and this is really the business before us this evening, to press on the Government the consideration of the part which the British Government are playing in giving a lead, not only to the Allies, but also to our fellow citizens of the Empire. The lead must come from this great and wealthy country, which, after all, does the bulk of the international business of the Empire. It is true that we have upon us at this time a great financial burden, but it is also true that never in the history of this country were we in a better position to bear that burden. Making all allowances for the expenditure which we are now incurring, the figures which I have before me show that our National Debt is not likely to exceed one year of our national income. When we consider that our forefathers a hundred years ago bore a National Debt which was equal to three years of their national income, we can, I think, make up our minds that we can bear our share of the sacrifice and yet weather the storm. When we have come through the War, and have come through that period of great expenditure, then I believe will emerge the necessity for carrying out a policy such as has been indicated to the Government this evening.

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We are talking even now of the necessity of restricting our imports on economic grounds. That necessity will not pass away with the War. When the War is over we shall still in this country want to economise, we shall still want to reduce our imports to the very utmost. In what direction are we going to reduce them? Are we going, any more than we can help, to reduce our imports from our Dominions and from our Colonies? Are we going to put an embargo that we can avoid on the products of the men whose name is associated with the word "Anzac?" No; if we are going to economise on our imports, we are all agreed that we must not, if we can possibly help it, economise on imports from within the Empire. Then where are we going to economise on our imports? Are we going to economise on our imports from our Allies who have fought with us during this War? Not if we can help it. There is one direction in which we can economise on our imports—economise reasonably—and that is on our imports from the countries which have been fighting against us. We should be entitled, even on the highest moral grounds, to say that we would not enter into the ordinary trafficking of commercial life on any terms with the men whose hands are stained with the blood of our men and whose consciences are stained with the crimes which they have committed against humanity. We should be justified on the highest moral ground in going so far as to prohibit, as far as we could, traffic with such men, putting them outside the pale of civilized society. I do not think this is sentiment; I do not think it is hatred. I believe it is justifiable; but it is one thing to be justifiable and another thing to be practicable, and I am not quite sure that it is practicable to go to these extreme lengths, although it may be justifiable. We can at all events reasonably and properly go to the length of saying that for reasons of war and for reasons of peace we will do as little business as we possibly can with those who have brought us to the brink of disaster, and that we will make it as difficult as possible for them to recuperate, because when this War is over we all know in our hearts that the struggle which will very probably begin will be whether the Allies or our enemies will recuperate most quickly and be most ready again to take either the offensive or the defensive.

We owe it to ourselves, as a matter of war policy, to take any and every measure which may be possible, not only to shatter to the utmost possible degree the credit upon which our enemies are depending for a continuance of this war, but also to prevent to the utmost in our power our enemies from recuperating more rapidly than ourselves can recuperate. If we adopt those principles of being as friendly as we can to our friends and of being reasonably inimical to those who are our enemies, our policy seems to emerge very clearly. It is not, perhaps, for me at this point to endeavour to suggest to His Majesty's Government what their policy should be; but I am convinced, when once they take this question seriously in hand in all its aspects as a question for the War and as a question for after the War, they will find that they are faced with certain problems which can only be dealt with in one way. Unless I am

7.00 P.M. mistaken, unless they deal with this problem boldly and bravely, and in accordance with the principles which have been laid down this evening, I am afraid they will find that the people of this country and of our Empire will be bitterly disappointed. I do not think that the Government need be afraid of going too fast or too far, because, however fast they go and however far they go, they will not go fast enough or far enough to offend or frighten the people. There have been symptoms—we all know them—that a new heart is being born in this country as a result of this War. Nobody cares twopence now about Free Trade or Tariff Reform. Economic text-books can be thrown into the fire. We are all realising that we are now in a new world. We have to face fresh facts with fresh minds, and the old economic text-books and the old theories are not only useless, but worse than useless. It is quite possible that, in carrying out this policy, we may, as the right hon. gentleman the member for Swansea (Sir A. Mond) suggested, have to make some sacrifice. That is possibly true, but, in a long experience, I have never found that one

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can get anything for nothing. If we are to adopt this policy it will undoubtedly cost us something, but I do not think that the people of this country will shrink from the cost.

When I hear people talk about cutting off your nose to spite your face, I must say I feel rather sad that one of those old copy-book maxims, which misleads so many people, should be applied to a case of this kind. There is nothing of the cutting off one's nose to spite one's face, or anything so foolish, in this policy. The policy is one rather than that of a wise surgeon who amputates a gangrenous limb in order to save the rest of the body. We have had our body, commercial and political, penetrated by German influence, and we may have to perform an operation in order to cut that out, for if there is one thing which the people of this country are determined upon more than another it is to cut out from our social and political body the gangrene of German influence and German power. That is a very different thing to cutting off one's nose to spite one's face. I apologise for having detained the House so long, but there is one word I would like to add. We may be told that there is a danger of retaliation if we adopt such a policy as that which has been suggested. If there were such a danger it would, I think, be our duty to meet it. But we know, and the Germans know, that there is very little danger of retaliation. How can a country which has only 18 per cent. of the international trade of the world retaliate effectively upon a group of nations that control 50 per cent. of the trade. It is not so easy, and the Germans know it. In proof of that, may I read a very short extract from the writings of a German authority on Economics written a few years before the War. This German professor said:—

“Imperial Britain would be as compact as a world within itself, self-supporting, self-protecting, and in a position to dictate to the world without.”

That was written by Dr. Weisengreen (Author of “England's Wirtschaftlich Zukunft”). We, I am sure, have no desire to dictate unduly to the world without, but in conjunction with our fellow citizens of the Empire, and in conjunction with our brave and noble Allies, I believe that we will, as we ought, dictate to our present enemies the place which they shall take in the commerce within the territory and with the population under the influence of the British Empire and its Allies.

The PRESIDENT of the BOARD OF TRADE (Mr. Runciman): This discussion has been opened to-day in a speech by the hon. Member for Hereford (Mr. Hewins), which more than justified the reputation the hon. Gentleman has long held outside this House, and I think everyone who listened to him, whether he sits on the same benches as the hon. Member or on this side, appreciated not only its deep sincerity, but also the wide outlook which the hon. Gentleman brought to the discussion of the Motion which stands in his name. One of my hon. Friends said he hoped that this would not be a merely academic discussion. I can assure him if it were a merely academic discussion I should have asked the leave of the House to be absent from this Chamber, in order that I might attend to practical business elsewhere. But this is not an academic discussion. It is one which has a direct bearing on the prosecution of the War, and any decision which this House or Government comes to with regard to trade matters at the present time has a direct bearing either on the strength of this country or on the strength of our enemies. So far we have succeeded in living through nearly a year and a half of hostilities without any serious break in either our financial or industrial strength. Of course there has been a diminution in our output. Our exports have fallen, and our imports in some commodities have gone up. In others they have declined. I could only wish that the import of unnecessary articles had disappeared altogether.

Mr. RONALD McNEILL: Why do you not stop them?

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Mr. RUNCIMAN: The hon. Gentleman can help us even in his own household. Everyone is open to the same charge. We are all apt to go on buying unnecessary articles without realising whether they come from abroad or are produced in our own country, and are likely to make a drain on our national wealth. Many of our imports have of necessity gone up, and I am sorry to say many of our exports have gone down. But in spite of that widening of the breach between the two there is no doubt that the economic strength of the United Kingdom and of the British Empire has been so well founded that we have stood the strain far better than the Central Powers. I have no desire to exaggerate the condition of Germany or Austria, but signs are not lacking that at last the stocks of their materials are giving out, and the food supplies of their people are shorter than ever they were. We have had reports of bread riots in Berlin and in nearly every other big town in Germany, and they could not have been circulated without there being good reason for them. I shall find it difficult to believe, after considering carefully all the information that comes to us, that Germany is not at last beginning to realise that our blockade of the North Sea and the interruption of her trade in the Baltic has not now depleted her of many of the necessities of warfare and possibly of some of the necessities of life.

I have recently had through my hands correspondence which has reached us from a neutral country. Some excellent authorities who have travelled through Germany nearly every month since the outbreak of war say that they find a shortage of food in nearly all the big towns being felt by the poor people, and, as happens always in time of war, the poor are the first to feel the strain. That has been evident particularly with regard to all fatty foods, and for very obvious reasons. At the opening of the Reichstag recently there was a big demonstration of women singing patriotic songs, but when they approached the Reichstag building they shouted, "Give us butter and milk. Give us cheap nourishment." That cannot go on long without having a great effect not only on the opinion of Germany, but ultimately on her stability. To some extent that justifies the policy of the Government. I regret that the gradual pressure which we have been able to bring to bear upon Germany—the economic pressure—has not been felt sooner, for it is clear that by economic pressure possibly more than by any other means we shall be able to persuade the German Government of the fruitlessness of continuing the struggle. For our own part we can stand the strain a longer time than she can. Our own people are just as determined as hers. Our supplies are increasing rather than diminishing. If we only husband our own resources there is no doubt we can outlast Germany, and the disaster which will fall upon her will be almost irreparable. In that policy undoubtedly economic questions ought to bear a large part. The hon. Gentleman who moved this motion frankly admitted that all idea of a Zollverein, or what I may call Free Trade between the Empire—which is much the same thing—was impracticable.

Mr. HEWINS: They are not the same thing. I said that a Zollverein was impossible.

Mr. RUNCIMAN: I do not care which you take—one or the other. The same comment will be equally germane to both. The idea of Free Trade as between the Allies is even more difficult than complete Free Trade between different parts of the Empire. As he truly pointed out, the action of our Empire has been more individualistic than that of any other Empire in the world. The individual policy of the Dominions is not likely to be modified as far as we can see in any measurable time. They are determined to raise revenue in their own way and to foster their industry in their own way, and I think we must dismiss the idea of Free Trade within the Empire. So far as the Zollverein, if you include the Allies as well, is concerned, I would point out that the difficulties are very great. I am certain if a Zollverein between this Empire and the Allies were necessary to end the War successfully a Zollverein we should have, for there is no arrangement which we are not prepared to

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make in order to bring the War to a successful conclusion. A request was made that we should not allow any of our commercial treaties to stand in our way. So far as treaties with Austria and Germany are concerned, they are non-existent. When the War broke out they came to an end, and history cannot go on, when the War is over, exactly at the same point. No doubt the old treaties in many respects did this Empire great injustice. The working of the Most-Favoured-Nation Clause, as everybody knows, as every school of thought realises, the working of that Clause by Germany was to a certain extent to our detriment. It became increasingly to our detriment in recent years. The last tariff arrangements which were confirmed between Germany and Russia, which ended the great tariff war which I think lasted for seven or eight years, left us in the position of getting most-favoured-nation treatment, with a very low tariff on things which did not matter to us and a fairly high tariff on some things which did matter to us.

I do not think that Russia is likely to make that mistake again. Russia will now listen, I have not the least doubt, in the most friendly spirit to the representations we make to her with regard to any arrangements she makes in the future. How far she is prepared to go no one can say. I do not believe any Russian statesman can at the present moment describe in the Duma or elsewhere exactly the lines on which her economic development is likely to proceed or her economic policy is likely to go. Least of all can anyone assure us of the lines she will follow. Of this I am confident—she is not going to make herself the tool of Germany. She will not permit the same kind of penetration, which was sarcastically called peaceful penetration, although it was in the highest degree economic warfare, to continue in the future in Russia.

The exhaustion from which all the belligerents will undoubtedly suffer will lead to a period of great effort, and I hope that in all of them—I say, without distinction, in all of them—to a greater degree of recuperation. [AN HON. MEMBER: “All of them?”] Yes, all of them. I wish to make that point quite clear. But I would like to qualify it to this extent: the recuperation which will be necessary within this Empire will probably be less than that within the boundaries of any other Power. I believe we have it within our capacity to make up for the vast losses which we have incurred in a shorter period of time than any other State. It will be our duty, so far as we can, to aid Italy, France, and Russia in the same process. I said “all of them” because I do not wish to see, and I do not think any humane man would wish to see, a period of prolonged poverty in Germany, but I put Germany at the bottom of the list, and, if our policy is successful, I hope she will remain at the bottom of the list. Recuperation is undoubtedly, and will be, one of the first necessities of the whole of Europe. Some of the Neutral States have been doing very well out of the War. There are none of the belligerents who have not suffered every month as the War has gone on. Our debt has increased, we have lost in our manhood, and in many respects our trade has been diminished. We have not grudged these sacrifices, and we would be prepared to make more. The point I wish to press is that such sacrifices as we have made we can repair quickly, and such sacrifices as have been made by our Allies they can, I believe, with their great natural resources, fertility of mind, and scientific attainments, repair fairly quickly.

What we have a right to demand is that in the recuperation of Germany we should allow nothing to be done which would make either Italy, France, Russia, or Great Britain suffer. How far is that possible? I believe it is only possible by our making it clear that when peace is to be signed that we cannot permit on the conclusion of this War the outbreak of another economic war which Germany is to wage against her neighbours. Our own national and commercial interests must, in all these matters, be the first, and, so far as we are concerned, our only guide. Our second consideration will be the extent to which we can help those who have been fighting with us and for whom we have fought. I am not prepared, however, to wait until peace is declared for that process to begin. It has been very easy to jeer at the patriotic

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efforts—sometimes a little mistaken—of those who have urged the public to capture German trade. There has been, undoubtedly, a good deal of nonsense talked on that subject. It is very difficult to go in for capturing German trade when your own output is decreased and has come down to such a low level that you cannot fill the orders of your own clients. There have been a good many concerns which have lost a good deal of their connection during the War, and it would indeed have been short-sighted of us, and especially those who had influence in commercial circles, if we had not pressed the policy of capturing German trade wherever opportunity offered and wherever we had commercial ingenuity which enabled us to take advantage of our opportunity. The transit of all German goods, or nearly all German goods, was interrupted. Their connections were broken, and undoubtedly it was our duty as a commercial people in the best national interest to see to it that we got as much of the foreign trade which had been held by Germany as we could lay our hands upon, for I have always held the view, which undoubtedly is held by every successful financier, that whatever we can do to increase and foster our export trade, *pro tanto* increases our financial strength.

How best were we able to capture German trade during the War? I take the case of South America first. Undoubtedly in South America a great opportunity was open to us. I am glad to think that many of our most enterprising firms have not lost that opportunity, but have built up connections which, I hope, may last long after the War is over. They have studied their customers' taste, if I may say so, with greater ingenuity and faithfulness than they ever did in times of peace. They have been making efforts in commercial travelling which have been almost unprecedented. Indeed, I have seen that, on the Continent, we have been accused of actually using the War for commercial purposes. In so far as there has been commercial activity I think we should all welcome it. I do not believe that our English commercial classes, while showing that activity, have not thrown themselves heart and soul into the prosecution of the War. With credit shrunk and labour insufficient really they have worked wonders. They have made great progress along the line of commercial development, to which we should have given more attention in the past. One hon. Gentleman—I have forgotten for the moment who he was—in the course of this Debate drew attention to the fact that there were some industries which were almost entirely in German hands before the War broke out. One of the most striking that is known to nearly all of us is that of optical glass. We have been placed under grave disabilities owing to the fact that optical glass was made almost entirely in Austria and Germany, and so little of it was made in this country. It was one of the first articles in which the Board of Trade took an interest in the autumn of 1914. We gathered together all the information we could on that subject of optical glass. We gave every possible assistance to those in this country who were prepared to undertake its manufacture, and already they are producing optical glass which never before had been equalled here. We trust that the monopoly which was held by Germany before the War will never go back to her.

In chemicals we have produced to a remarkable degree a large number of articles which before the War were almost entirely in German hands. Take the case of dyes. Not only the company which, by leave of this House, was assisted out of our national funds, but also other concerns, have produced an enormous amount of the dyes during the War. They have increased their output by extending their plant and improving their processes. They have naturally been fostered in that by the enormous demand and the high prices they have been able to obtain from their customers. Electrical apparatus, in some particulars, was almost entirely in German hands. Every one of these articles, glass, chemicals, dyes, electrical apparatus, and I could name about a dozen others, were industries of vast importance not only to us as a great commercial country but as a fighting country. Without these glass articles, without some of the porcelain articles which are essential for electrical construction, without the best type

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of magneto, without some of the best of our chemicals, and without a great range of dyes, which used to be manufactured in Germany, we were placed at a great disadvantage. Never again should that happen.

This is more than a mere matter of competing with Germany. It ought to be part of our national organisation. There should be no essential article, either for the arts of peace or for the arts of war, upon which we cannot within the Empire lay our hands. Such progress as has been made in these directions cannot be made purely with Government assistance. When we had a short discussion on this subject on the Adjournment some weeks ago I observed it was suggested that at the Board of Trade we had the idea strongly fixed in our minds that merely by assistance given in Government Departments it would be possible for us to foster trade and industry. Let me say quite frankly that I have never been so foolish as to foster that notion. Government Departments can do a great deal, and I believe they ought to do more, but without the personal ability, without the training, skill and industry of the individual nothing can be done by Government Departments. I therefore put down, as one of the first necessities of this country if she is to hold her own during times of war and when war is over, that we must improve our research methods, the education of our people, and the training of our young men. We should not attempt to economise on the money we now spend on technical colleges and modern appliances. There are other directions in which we can cut down expenditure with less national damage.

The next quality what undoubtedly is requisite in order that we can hold our is that we should be adaptable. The War, at all events, has taught the commercial people of this country the necessity of adaptability. The whole commercial world has changed. Men have had to go into almost entirely new businesses. They have had to consider almost entirely new conditions, and that adaptability which was not supposed to be our characteristic in the past has been fostered rather than hindered by the War. I agree with my hon. Friend the Member for Inverness (Mr. A. Bryce) that the extension of commercial banking, as distinct from the more conservative form of banking which is our custom in this country, might well be fostered here. There is nothing that is more likely to aid English industry and commerce and place it on a level where it can compete with that which is organised in Germany than by assisting young firms to get on to their feet. I have sometimes regretted that the great joint stock banks, by gradually absorbing all our country institutions have, to some extent, removed that close touch between the individual banker and the individual trader which was of the very essence of our industrial prosperity. There are no institutions in the world that are better managed than our joint stock banks, but the mere fact of their being centralised in London, and having only managers instead of partners in the provincial centres has actually placed our traders and manufacturers and commercial men at a disadvantage compared with those who, in Germany, are in touch all over Germany with a more enterprising or, shall I say, more adventurous institutions. If we are to do more in the future, our banks must be a little more adventurous. If they cannot, in consonance with their present system, be more adventurous, let us have some additional institutions. At all events, commercial banking must play a large part if we are to hold our own against Germany. I agree with my hon. Friend the Member for Cornwall that we must overhaul once more our patent system. However much we may affect industry by changes of policy, there is no doubt that the development of new inventions and the restrictions which we put on their use may have a greater influence on the extension of our trade and industry than even the juggling of a tariff. With that I should like to couple copyright.

It has been necessary to review a great many of these questions within the four walls of Government Departments, but I can assure the House that we have not restricted ourselves to purely official inquiries. We held last autumn and spring a number of what are called exchange meetings, in order that the samples of foreign firms should be seen by British firms, which might copy them, or excel them, or at all

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events make use of this opportunity to establish themselves, if necessary, in new directions. Following on that it became necessary to inquire into means whereby these new extensions should be well and solidly established when the War was over. I remitted these questions to the Commercial Intelligence Committee, which is composed almost entirely of business men. I think there are only something like three or four officials on it. All the others are business men—eighteen or twenty—and they have themselves selected their sub-committee, which consists entirely of business men. They are, I believe, only to-morrow discussing the Report which they have drawn, and in due course we shall see how far we can take advantage of their advice, and at the Board of Trade we will not hesitate to press their recommendations, if they appear to be worth pressing, on other Government Departments as well. But whatever is done in these directions, however far we may carry our inquiries in the future, whether by that means or through other Committees which we set up, let the House be assured that we are looking ahead. We are anxious to prosecute the War with all our strength, but we must look ahead. Peace might come very much sooner than some of us expect, and we are not going to be taken unawares. We are bound therefore to run through the whole range of commercial topics as thoroughly and as rapidly as time permits. There are some of these great subjects which strike at the very root of national prosperity, and in these certainly we must ask for the co-operation of the Dominions.

In the course of the afternoon reference has been made to the production of raw material in this country. The control of metals passed to Frankfurt years ago. It was Frankfurt that really dictated the production of metals in many parts of the world. Even in our own Dominions the influence of Frankfurt in Australia was so great that the Australian Government went to the extreme length of cancelling by legislation every contract on the outbreak of the War in which the great metal organization of Frankfurt was concerned. We have control within the British Empire of some of the most valuable metals on which we now depend. Manganese from India, tungsten and wolfram from the Antipodes, zinc in large quantities from Australia, and spelter dependent upon it, and nickel very largely from Canada. I should like to say, so far as these metals are concerned, that nothing could have been more whole-hearted than the support which has been given to us by the Dominions. Long ago, at the beginning of the War, we pointed out to them how largely we were dependent on them and how short our supplies might be if they were dissipated too widely, and they at once, without any hesitation, took the most drastic action, so that we have an abundance of manganese here; tungsten and wolfram we can get now in sufficient quantities; zinc and spelter made from zinc are being produced in increasing quantities every month; and thanks very largely to the fact that the Empire is with us to a man in the prosecution of the War they are able to get through their Parliaments, with far greater rapidity than we can pass Bills in this House, any measure which may be necessary to restrict the resources of the Empire for the use of ourselves and our Allies. Then we must carry further our investigation into the control of oil. We never seem to get to the bottom of that fact. We must see to it that the control of coal within this country, or within the Dominions, does not pass out of British hands.

I agree with the hon. Member (Mr. Peto) that in shipping it is necessary that we should overhaul our position. I think he suggested that we might have a revival at all events of the spirit of the Navigation Acts, but I understand that he severed himself from the details of the old Acts. I express no opinion on that, but in passing I should like to say—I have some of the instincts of the Free Trader—that when the Navigation Acts were repealed we became a much greater shipping Power than ever we were before, and we have succeeded in accumulating such vast strength in our mercantile marine that we are not only able to supply our own needs, but to supply the needs of our Allies as well. Without that mercantile marine I cannot tell where

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the Allied Powers would have been. But the important thing is this, that so far as our Empire is concerned no privilege should be given to any foreign shipping which are not enjoyed by our own. We have to equalize, we ought to equalize, the conditions under which British shipping labours. Heavily subsidized foreign lines ought not to have the same run of our ports as those which receive no artificial assistance whatever. I do not wish to see an increase of subsidies so far as we are concerned. I should personally oppose them, for I believe subsidies, except for mail service—for services rendered—are unjustifiable, but there are other ways of dealing with this very complex and difficult question. Why, for instance, should great German liners—the North German Lloyd and the Hamburg-American, the Kaiser being a prominent shareholder in one and Prince Henry in the other—be allowed to originate their voyage in Hamburg and be permitted to come over to the Isle of Wight, take large bodies of passengers aboard, and escape all harbour dues, for all practical purposes getting the full advantage of the dredging, lighting, and quay accommodations of Southampton, and really be put in a position at the Isle of Wight of great advantage, while our own liners going out of that same port have heavy dues to bear? I am sure the House will not wish me to indicate the direction in which we shall have to deal with our rates and dues, but I hope they will rest satisfied that the mind of the Board of Trade, in so far as I can express it, is proceeding along these lines.

During the War we have had to deal with shipping problems of great magnitude, and as this motion makes special reference to the extent to which we and the Allies have co-operated with each other, and have been in consultation, I should like to point out that my right hon. Friend the Secretary of State for the Colonies, who in Opposition occasionally raised shipping questions in this House, was himself the Chairman of a Cabinet Committee which recently made arrangements whereby the trading of British vessels between foreign countries was put under strict control, in order that the Empire—our own Empire—might receive the full advantage of our own merchant shipping. That may be regarded as a small step. It naturally created a considerable upheaval in some portions of the shipping trade, but we are bound to serve the Empire first in time of war and the recommendations of the Committee over which my right hon. Friend presided, and of which I was a member, were carried out. We may have to go further. As events change, as markets fluctuate, as the difficulty of carriage by sea becomes greater and greater—and the demand placed on our shipping has caused a heavy rise in freights which is burdening every industry in this country—it may be necessary for us to make changes, and no one would ask that having taken a step we should ever regard it as final. I mention that in order that I might point out that we are in fact mobilizing for Imperial purposes and for the purpose of the Allies, the whole economic strength of the British Empire.

The hon. Member (Mr. Hewins) and those who have supported his Motion to-day have wished us to take action in a hostile spirit against Germany. While the War is on I believe we ought to do everything in our power to injure and to ruin German finance. During the War we should do everything we can to destroy German credit, and to that end we should do everything in our power to cripple, cramp, squeeze and destroy her trade. We must at the same time lay the foundations for future action. But we have been doing a great deal to destroy both her credit and her trade. In many quarters the demand has been made that we should increase the number of articles upon our contraband list. It is the longest contraband list this world has ever seen. It exceeds the list which was prepared under the Declaration of London three or four times over. Every article which was believed to be necessary, directly or indirectly, for the purpose of the war, we put on the contraband list without hesitation. We have been asked why under the Order in Council of March last, we have not put an absolute stop to every form of traffic in and out of Germany. The House knows full well that in some directions Germany

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had outlets which at that time it was not in our power to prevent. She had for some time a certain amount of traffic in the Baltic, which we were not able to place under naval control. We have since signally interfered with her traffic. Our submarines have almost stopped the supply of ore which came from Sweden. At all events, we have so diminished those supplies that the German iron works have been short of the main necessities of that manufacture for some months past.

The Order in Council went such a long way that there was not a single neutral that did not feel itself unfairly treated under that order. Not that that should altogether decide our action. Many of the neutrals have done fairly well out of the war. There is no doubt that some of them believe they had good grounds for complaint because we interfered with the traffic between their countries and Germany. I do not believe neutrals were ever better treated than they have been by us during this war. Unfortunately, there was for a time a leakage of material into and out of Germany through Italy before she declared war, through Switzerland before we came to an arrangement with Switzerland, which has certainly impeded the traffic between Germany and the outer world through Switzerland, through Holland before we came to an arrangement with the Netherlands Overseas Trust, and to some extent there may be smuggling through those countries which we find it very difficult to prevent. This is not the first war in which smuggling has been a profitable enterprise. Through Scandinavia, certainly, material has passed and may be passing now, but it is all passing in much smaller quantities than ever before. I should be prepared without too fully outraging neutral rights to go even further in the injury of German trade. Fortunately, there are some things that we can do in which the neutrals can have no concern. For instance, we can prevent Germany getting supplies of wool without any neutral being agreed. There, again, the co-operation and the cohesion between ourselves and the Dominions have been of inestimable value. Australia, as soon as she knew that we needed wool badly, prohibited the export of wool outside the British Empire, and when in the course of time it became clear that we should be likely to need merino produced in Australia, we made an arrangement with her and with one of the largest organisations in the United States, whereby her surplus of merino went to that organisation, and was distributed to concerns who did not export their products to Europe. Australia throughout from the very beginning, not only in regard to metal, but also in regard to wool, has acted in strict harmony with us, and with enthusiasm. That has been extended to the wheat market as well. When she discovered that we required large supplies of wheat here she immediately took possession of the entire wheat crop of Australia, and, with the aid of the Australian Government, and the aid of the Home Government, Australian wheat is coming here in increasingly large quantities for ourselves and for the purposes of our Allies. My right hon. friend the Secretary of State for the Colonies and I at one time together co-operated to provide Australia with more tonnage, and we only regret that the shortage of tonnage should make it impossible for us to bring over the whole of the wheat crop of Australia; but it is at our command. Australia has seen to it that it shall not go elsewhere if we want it. It has been the same in regard to frozen meat. No sooner did they realize in Australia and New Zealand that we required larger supplies of frozen meat than they at once, with all the enthusiasm of youth, said that they would take every animal, and that every animal that passed through the abattoirs of Australia and New Zealand, should be placed at our disposal. Without that large and direct control we should have found it difficult to have kept ourselves supplied. In these directions undoubtedly the Dominions have shown what their spirit is, and I am not without hope that any approach that is made by my right hon. friend the Secretary of State for the Colonies and the Government to the heads of the Dominion Governments, and any suggestions which may arise from a discussion here in London, will meet with the same warm-hearted reception as every proposal made by us has met with up to the present. To that extent I believe that the hon.

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gentleman (Mr. Hewins) was more than justified in putting down his motion to-day. He knew that he was sowing on fruitful soil, and I think he can rest assured that as his motion goes down on the paper it will not only give encouragement to our friends, but may disturb to some extent the equilibrium of our enemies, and that they will realise that we have not come to the end of this war, or to the end of our ingenuity for winning the war.

When we are waging war we should wage it as war. An economic war should be well within the range of our powers. How long that economic war is to be waged is another matter. At any rate, we must see to it that, having ended this war victoriously, we do not give Germany a chance of re-constructing her commercial position. The longer Germany holds out, the worse it will be for her. The other day, when I spoke in the House, I said that commercially Germany was a beaten nation. Shortly afterwards I observed from a cutting which was put before me by an hon. member, that I was described on the strength of that statement as the blindest of Englishmen. A man would indeed have to be blind if he could not see the fact that commercially Germany is a beaten nation. Her ships are swept off the seas; her export trade is practically at an end; her commercial travellers in South America, in the East, in India, in China, and in Ceylon, are idle; the amount of goods she gets out now are a mere fraction of what she got out in former years, and as the war goes on that quantity will become smaller and smaller. We recognised, and we did it for the purpose of not finding ourselves in conflict with neutrals, the right of those who had made contracts before the Order in Council to have fulfilment of their contracts within strict limits. That period is rapidly expiring; it has almost come to an end, and the quantity of goods going out is a diminishing stream. If Germany is not commercially a beaten nation, there never was a beaten nation in this world. The real trouble is that when the war comes to an end, and she is beaten at sea, and, I hope, beaten ashore, she may wish to embark upon a new campaign. It is in connection with that new economic campaign that it will be necessary for us, in making peace, to see to it that she does not raise her head.

Mr. BIGLAND: I think we must congratulate ourselves that this motion has been brought before us. I want to thank the Government for having given us this opportunity of discussion, and for having made such a wide statement of intention as that made by the right hon. gentleman. It is always well to have a statement of intention, although it is not possible to pass an Act at the moment to carry out that intention. We are pleased to have had the position explained, and the mind of the nation will be clarified to a large extent. So far as I am concerned, I am still a little doubtful about the right hon. gentleman's position. He has told us a good deal of what Australia is willing and ready to do, but he did not tell us very much what we as a nation are ready to do in order to meet their views. I think we might have had a little more clear exposition of the Government's view on that point. The right hon. gentleman did, however, tell us that any recommendation that we make will be sympathetically received by the Government. That is not quite the point. It is the recommendation that the Government make that should be sympathetically received by us. If we could have that assurance from the Government, I think the people of this country would be more than pleased. The right hon. gentleman has told us of a good many things that the Government have done, or that they have tried to do, but I would like to point out that I think in one respect he has made some mistake, because, although we have prevented wool going from Australia to neutrals and Germany, I have received figures from the River Plate which tend to show that the policy of the Foreign Office has not been sufficient to keep Germany unsupplied with wool from the Argentine. According to the information I have just received, 6,800 tons of wool were shipped to Holland and Sweden this season up to the 4th November, as against 1,000 tons for the same period last year, so that I am afraid there has been a considerable leakage there. The right hon.

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gentleman admitted that there has been a great deal of leakage, and I am sure the House will be delighted to know that the efforts he is now making are reducing that leakage. In my opinion, and I say it with regret, I honestly believe that during the first nine months of this war Germany got nine months ordinary supply of every article she needed. We were horribly and terribly weak in our handling of the question as to the quantities of goods that were allowed to go into neutral countries. Instead of keeping the neutral countries to pre-War quantities, we allowed vast amounts of all kinds of materials to filter through to our enemies. No one could be more pleased than I am to have the assurance that this restriction will henceforward grow tighter and tighter.

The most disappointing point of the right hon. Gentleman's speech was that he did not contemplate in our handling of matters with Germany in future that when the war was over he was going to take very drastic measures to prevent the recurrence of trade between Germany and the rest of the world, or any rate, with the rest of the British Empire. The hon. Member for Kirkdale (Mr. Pennefather) emphasized what he thought was justifiable and practical. I would like to point out to the Government what may happen. As the right hon. Gentleman said, peace may come at an unexpected moment. I hope the Government will provide against that possibility. Supposing on the 1st June next peace was suddenly declared. The position and the economic state of Lancashire would, under those circumstances, be very serious. Cotton in Bremen might be 2s. 6d. a pound, and Liverpool 8d. a pound. There would be great demands from Germany for that raw material, and for articles stocked in this country, and the rise in price would be such that our own manufacturers would be very seriously handicapped. I hope the Government will use foresight in this matter, and absolutely prohibit for several months after the declaration of peace the export of all sorts of raw material from this country which Germany will want. The prices in Germany are so enormously high. We should safeguard our own necessities, because they cannot be brought across the ocean a long distance within a moderate space of time after War. The rush for traffic will be so great that it may take three months for a German cotton mill to get cotton from New Orleans. It would only take three weeks to get it from Liverpool. We must see to it that our available stocks of raw material are not taken away from the manufacturers of this country. It is a difficult matter to deal with, but in a declaration of intention, if it could be absolutely stated that as soon as the War is over the stocks of raw material in the British Empire will not be allowed to go either to neutral countries or to any other countries except our Allies until our own necessities are safeguarded, it would prevent what may turn out to be a panic.

MR. BOOTH: Can the hon. Gentleman define what he means by "raw material"? What would he call pig-iron?

MR. BIGLAND: I think we know pretty well what the Germans want. We have at the present time very effective committees at work, and the War Trade Department. It might necessitate the passing of an Act of Parliament—an Order-in-Council, stating that the War Trade Department should continue its work, and supervise every application for export from this country. Our Colonial and Allied Governments should do the same thing, so that we may prevent what would be a panic if nothing is done beforehand. We have heard something of the idea of using our economic strength to weaken our enemies. Not only is there a possibility of strengthening our position by putting tariffs on imports, but also export duties on commodities that the British Empire has great need for herself. There are arguments which may be used against that, but I am strongly of opinion that the British Empire can use up far more of the products of the British Empire than ever she has done before. We have a monopoly in the supply of certain metals, and in other raw materials, such as palm kernels. The right hon. member for Swansea (Sir A. Mond) said it was the technical education and scientific knowledge of the Germans

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that had taken many of our industries and trades away from us. I would like to quote one trade that they have robbed us of, not by scientific knowledge, but by the adaptation of their scientific tariffs. In Liverpool, when I was a young man, we had the import of the entire palm kernels from West Africa.

All these kernels come from British possessions. The whole of that trade, nearly, was filched from us. Two hundred and eighty thousand tons a year were going to

Hamburg before the war, and I say the whole of that can be brought
8 p.m. back by a very simple process. If we say that £2 a ton export duty will

be charged on palm kernels leaving the coast, but that that shall be rebated to Britain's Allies, then Germany would have to pay £2 a ton for the raw product which is a necessity and can only be secured within the British Empire. That would entirely preclude her from doing an export trade. She would still buy for home consumption, but would be entirely cut off from the export trade of the world. In Liverpool she killed us by the persistent sale of manufactured articles at less than cost, and when that goes on for ten years no manufacturer can live against it. We must be preserved in future from these unfair uses of a hostile tariff which the Germans were so clever in handling. The hon. member for Kirkdale referred to another point very clearly in my mind, and that is that public opinion in this country has reached a point of such intense feeling on this matter. There is such anxiety in the mind of many people who say, "What are you going to do when the war is over? Are you ever going to allow Germans to trade again on their own terms?" That I hope we may have before many months are over, perhaps it may be when the next Budget is introduced, a declaration of intention of the British Government as to how they mean to act. Let them begin to act now. Let the policy be foreshadowed in the next Budget, and the nation will then know the intention of the Government. I say you cannot do it three months after peace is declared, and if you are going to take this inimical action, you must take it now. My right hon. friend said he did not see how it was going to be possible to make an arrangement with France and Russia. We shall make it possible if we open up the development of Russia, which is one of the most undeveloped countries of the world. I am convinced, as an expert in this matter, that if we and our sister States come together and agree that the Canadian basis should be the universal basis of the Empire, that each part of the Empire should fix its own tariff, that within the Empire 33½ per cent rebate should be allowed, that having fixed that we should go to France and Russia and say, "We will agree with you that you should be allowed by the British Empire to come in on the same basis as ourselves of enjoying this 33½ per cent, and that you shall give the whole British Empire a 33½ per cent rebate on your tariff, fixing your own tariffs at whatever rates you like," that would put us in a position to place Germany out of the market and enable the British trader to take his place in supplying the manufactures and articles which Russia wants in the overseas trade.

I claim that that is a definite issue and a definite proposition of which we might ask the Premiers of our sister States when they come to this country: "Is that a reasonable proposition?" Let the whole Empire put its own taxes on its own imports, in any way they think right. Accord to all parts of the British Empire a 33½ per cent rebate, take that position and go to our Allies, Japan included, asking her to cancel that foolish treaty we made with her. The hon. member for Oxford University (Mr. Prothero) spoke of the drawing power of the Central Powers which were making a league in the centre of Europe. He spoke of the effect that would have on Greece, Rumania, and the other surrounding countries. Think of the drawing power we should have, if our Allies and the Empire arrived at this arrangement, and if we said, "Fiscally, you can join the British Empire, fixing your own tariffs and guaranteeing to us and our Allies a 33½ per cent rebate on your tariff." That would, to my mind, give a drawing power which would weigh against the Germanic influence in a way greater than anything that has been named or thought of. Then

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I claim that you have in your hands, shall I call it, the peace control of the world, because the other countries would gradually come into our league, and all united, none dare break the terms of that league, as the writing out of that preference would mean their commercial ruin. I honestly believe this may be the beginning. In this Imperial Parliament we have for the first time, so far as I know, for thirty years talked with something of one voice, only urging one another to do more than others have suggested they were prepared to do, but we are all ready to take that first step in bringing about the commercial unity of our own Empire. With that enormous fulcrum for us to go on, with that proposition to make to our Allies of the terms on which it would be agreeable to us fiscally to use our unity in order to keep Germany from ever again taking a front position in the commerce of the world.

Sir J. D. REES: I have only risen because my hon. friend's motion in its terms excludes India and Ceylon. I will not keep the House more than a few minutes, although I believe it is far better occupied in discussing this matter than in condemning the Minister of Munitions, who is doing such service to his country, and who should be supported rather than attacked by all the members of this House. An hon. friend of mine says that the Government should enter into immediate consultation with the Governments of the Dominions, but why not India and Ceylon, more particularly India, because it is already in possession of a moderate import tariff, which would allow it more easily than any other British possession to establish that discrimination between the products of the British Empire and the products of foreign countries than could happen in regard to any other British possession. My hon. friend who has just sat down referred to the way in which Germany had taken trade in which he is interested. I should like to point out that no Dominion would co-operate more whole-heartedly in this action than India, which has been the subject of a long-drawn-out, calculated, cruel action, for years carried on at a great loss by Germany, in killing the native indigo trade by the highly subsidised competition of the Bädische Anilin Fabrik Company. For years they sold below cost price until they killed it, and then put up the price and began to reap the advantage of their action. India, again, would co-operate more readily than any other country, because it requires protection for its mercantile marine in the same way as was referred to in the case of England. At the present time Japan enjoys the whole Indian coast for its mercantile marine, while India is refused reciprocity as regards the Japanese coast. Japan is an ally, but that does not alter this fact, and as we have to tax the wines produced by our nearer ally, France, I will not refrain from pointing this out with regard to Japan. It is a relevant fact that India at present pays double income tax and Australia treble income tax, and in this arrangement that is the subject which should have attention. At the present time we have Japan beating Lancashire in India in cotton goods. Lancashire has only been able to maintain her position in India by the imposition of a duty on the lower counts of cotton goods. Even then she is being steadily beaten, and I think will be, unless arrangements are made. Here I think an opportunity exists for giving Lancashire a preference in India and Japan a preference in this country. Without some such arrangement the Lancashire cotton trade there is, I think, eventually doomed. I think it is not too soon to take that into account, and it rather surprises me that this matter has not been referred to, although one of the utmost importance to this country and to the greatest of our possessions. The only portion of our Empire that is an Empire has absolutely not been referred to at all in this debate, and it has brought me up at the eleventh hour to refer to it. Nor can I understand how the representatives of trade unions here, who are on their legs complaining if any particular trade in this country, or any firm, does not pay full wages, if anything gets in which has not been placed under all the disabilities with which we load all our products in this country, can contemplate with equanimity the competition of Japan and China with their goods in this country. That is also a point which requires to be attended to when effect is given to my hon. friend's reso-

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lution, as I understand from the speech of the Board of Trade action is likely to be taken. While our labour objects to the competition of everything that is not subject to the innumerable taxes which the right hon. gentleman piled on in the name of social reform on our own products, they apparently do not object to goods coming in from China, where wages are one-fifteenth below what they are here. This question of labour certainly requires to be attended to wherever action is taken under this resolution. I do not know whether the financial secretary to the treasury (Mr. Montagu) still thinks, as in 1911, that piling on a few more countervailing duties on India would be the proper method of emphasising the fact that that country, though an independent financial unit and a prosperous one, is connected with Free Trade England. I hope he does not think as in 1911, but at any rate this range of subjects on which I am very briefly touching is one which goes to the very root of the resolution of my hon. friend, and are on no account to be forgotten when action is taken.

A reference was made by my hon. friend here to the necessity of a conference with Russia under this resolution. I heartily support that. I have lived in Russia. I am an interpreter, and I declare that there is not that difficulty in learning the Russian language that is generally assumed, and that it would be perfectly possible for our commercial travellers to equip themselves with that language. Without it it is impossible to compete with Germans in Russia. I am glad to see that in some parts of the country classes are being started for the learning of Russian, and I declare that what he wishes to see brought about will never be attained until we have a different class of traveller. Every German who goes there speaks Russian. He studies the idiosyncrasies of the Russians, and until we do something of that kind debates here are a waste of time and cannot lead to any satisfactory result. I have not prepared a speech in any way, and I would not have taken part in this debate but for the absolute omission of the greatest of our foreign possessions from the debate, so far.

The President of the Board of Trade said that the list of contraband was already the longest in the world, and longer than was intended by the Declaration of London. That is only another nail in the coffin of that disastrous effort to impair our sea power, and which would have been a millstone round our necks in this contest but for the patriotic action taken in another place—which action should never be forgotten when our position with regard to this war is considered. My right hon. friend also said that we must continue to persevere with our technical education in order that we may give effect to my hon. friend's resolution. That is very true, but I hope that the right hon. gentleman's advice will not be taken to mean that further funds are to be expended on a class of education which has hitherto proved so unsatisfactory, and before necessary changes are made.

I had occasion to write to the President of the Board of Trade as to chemicals. He said that we were making chemicals because we could not get them from Germany. That is true. In regard to patent medicines, I would point out that the Medical Committee had to deal with this matter, and they did so in an entirely satisfactory manner, because we are not able here to make certain patent medicines that are made in Germany, but it is a pity, and a great pity, that in regard to one patent medicine which is required in this country and which cannot be made here, as we have not learned to make it, that an exception was not made on that occasion in respect of that small matter, instead of in regard to other larger subjects in regard to which I think too great consideration has been shown to neutrals, and too little use made of our preponderant sea power. I should like to ask the hon. gentleman representing the Board of Trade how many manufacturers who have turned their factories into munition works are going to recover the trade which they have lost by the commandeering of their works, unless an import duty is put upon the products which they make in order to help them to recover their trade. That is an extremely important point. It affects manufacturers in my own constituency, who have given up their factories to

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the making of munitions of war, and I ask how are they to recover their trade unless they get an import duty. This is not a Tariff Reform Debate, and I will not further develop that point, but I trust that the hon. Gentleman opposite will convey what I have said to the President of the Board of Trade.

Sir JOHN SPEAR: I feel that my constituents desire me on their behalf to give the heartiest possible support to the motion moved by the hon. Member for Hereford, and which we have been discussing this afternoon. It is encouraging to find that the Government, through the President of the Board of Trade, recognises the importance of the reasonable and businesslike proposal contained in the motion to re-establish, in the altered circumstances of the country, our trade under fruitful conditions, and that we shall, dismissing any ideas of prejudice, combine, without regard to differences of opinion on fiscal questions in the past, to do what we believe the best interests of our country demand. We must all feel that it will be a big job to rehabilitate our business arrangements after the War, and to establish trading conditions which will restore to us some degree of commercial prosperity. One lesson surely we have learned through this war, and it is that we must in future be more self-contained in regard to the production of the necessities of life, and endeavour to so develop our own industries and our own agriculture that if a similar crisis should ever occur we shall not have to send to America, for instance, for so much stuff as we have had to do in this war. In the interests of labour and in the interests of the country we should combine to develop our own industries, and thereby be less dependent on other countries than we have been in the past. We have all felt that in this very expensive war it has been embarrassing that we have had to send so much gold to America to purchase things which, with sufficient encouragement, might very well have been produced at home.

The motion not only alludes to the importance of developing our own industries, but the President of the Board of Trade, if I may say so, dealt very ably with the methods which the Government are prepared to adopt in order to effect this development of home production. There are one or two matters to which I shall briefly allude. One is the importance of sufficient money being available for starting our new industries, and, in that connection, it is absolutely essential that in our endeavour to establish a system of small holdings in this country it should be possible for the small holders to obtain at reasonable interest money wherewith to develop the land which has been put in their hands. That is one part of national development which I think will be assisted by the suggestion of the President of the Board of Trade, that the joint stock bank system, though very honourably conducted, yet makes it harder for the small trader and also the small holder to obtain money on the same terms as he could do from private banks. I am glad to hear that the President of the Board of Trade spoke of that as one of the necessary developments of our own industries. I think we can develop our own industries and yet carry out the spirit of the Motion, namely, to give to our Colonies preferential treatment in the trading conditions of the future. The President of the Board of Trade has spoken with great eloquence of the patriotism and loyalty of the Colonies, to which we are all grateful and of which we are all proud. He spoke very strongly of Australia's self-sacrifice in refusing to sell wool and corn even to neutral States. Surely that is an additional reason why, in rebuilding our business fabrics, we should see that our Colonies who have done so much for us in this crisis shall receive liberal and adequate treatment in trade conditions.

I felt as the right hon. gentleman was speaking that, while he enlarged on what the Colonies were doing for us, he did not show any desire that we should make a return to them by preferential trade conditions that would show our appreciation of the patriotism and loyalty which they have displayed at this crisis in the history of our country. The Motion goes beyond even our Colonies, and I am fully in accord.

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with the view that we should give to our Allies better trading conditions in the future than we shall be prepared to give to those countries which are now our enemies. Surely in future we must remember those who have co-operated with us in this great work, and by giving them better conditions of trade exchange, enable them to regain some of the great financial loss which they have sustained through this terrible War which has been forced upon us and upon them by Germany. My constituents are determined that Germany shall not fatten in future on this country as she has done in the past. We in this country enabled Germans to make fortunes, and she has used the money in an attempt to destroy our best interests and liberties. I heartily support the Motion and am glad it is receiving consideration from the Government. The President of the Board of Trade assured us that he is alive already to the question and is moving in that direction. I hope his efforts will result in giving to our Colonies preferential trading conditions with the Homeland, and to our Allies better conditions than we shall be prepared to give to those countries with which we are now at war. I hope that the Motion will not merely rest with the reception which has been extended to it in this House, but that the Government will take steps to develop it. If they do I believe it will tend to strengthen the alliance and to prevent Germany ever again attaining a position which will enable her to inflict upon this country and the other nations of the world the terrible disasters which she has brought about by her avarice and ambition.

Mr. MONTAGUE BARLOW: The hon. gentleman who has just spoken has put before the House the views of his constituents. He represents with honour and dignity an agricultural constituency. I should like to put myself in very much the same position with regard to my constituents, who are in the main engaged in industrial pursuits. I think all of us who have been interested in trade, both on the theoretical and practical side, for a good many years, have been looking forward during the last few days with great hope and anticipation to this Debate. I think this Debate has risen to the height of that anticipation, both as regards the speech of the Mover and the others who have spoken, and as regards the reply which has been vouchsafed by the Government. There were certain portions of the speech of the President of the Board of Trade which I could have wished had been a little stronger and a little firmer, but I do not think that anybody who looked back over the economic history of this country for the last two or three or four or five years could have been anything but surprised and, with the best interests of the country at heart, pleased at the speech made by the right hon. gentleman to-day. The President said, and quite rightly in my opinion, that it was no good leaving this question over till after the War or till the moment when peace was declared. Germany has set us an example in this matter. She has been up and doing. I do not know whether it is generally known, but it is the fact that there was a Conference in the middle of December which met in Vienna representing the Central Allied Powers. They discussed with care and consideration the future of commerce, so far as the Allied Powers were concerned, and they came to a series of resolutions. I am speaking now of a translation from the report which appeared in the "*Vossische Zeitung*." The first resolution was that an economic rapprochement was to take place between the Central Allied Powers, and the second resolution went on to say:—

"This economic rapprochement is to be brought about on the basis of reciprocal preferential treatment which must embrace as far as possible all aspects of economic life."

In other words, the Central Allied Powers are going to work deliberately, unless they are prevented by adequate means by ourselves and our Allies, at the same kind of campaign of commercial warfare as that which they waged against this country before the great War in which we are now engaged. Of the dangers of a war of that kind there can be no question. The President of the Board of Trade, in a speech made a

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few weeks ago, on the occasion, I think, of the Adjournment, gave a few instances, known to very many of us, of the way in which Germany had her hand on the throat of British industries in more directions than one. He mentioned finance, he mentioned shipping, he mentioned the question of company law, and he mentioned what is even more serious and startling, the ownership of British land by German companies, including the ownership of coal mines. He did not on that occasion mention the ownership of the metal industry. He went into that fully to-night. The control of the whole metal industry of the world, exercised from Frankfurt, by that enormous octopus the German Metal Company, is one of the most extraordinary fables, if it were not so terribly real, of modern industrial life. Take so small a thing as wolframite, and the manufacture of tungsten steel for machine tools. Everyone knows that the manufacture of machine tools, in which at one time this country was pre-eminent, has largely passed out of this country altogether into the hands of Germany and America. The manufacture of steel tools depends on tungsten, and the manufacture of tungsten depends on wolframite. We had the only source of wolframite in the world in this country and in the Allied countries. The main source for us was in Cornwall. Twelve years ago wolframite was a waste product in Cornwall. Its utility was discovered and a company was started for the treating of it, and at the same time, or almost immediately afterwards, a company was started in Hamburg, also for the purpose of treating it. The Germans captured the wolframite supply of Cornwall. They cut down the normal price of 5s. 6d. to 2s. 6d. They killed the English company, which had sunk some £20,000 of capital, by lowering the price, and when the English company was put out of business they, of course, raised the price to 7s. 6d. That is only a small instance, but that is the kind of process which has gone on and the process which will go on, and which Germany means shall go on, after the War, unless proper steps are taken to prevent it.

I desire to say a word or two with regard to the financial aspect of the case, which was very ably dealt with by the President of the Board of Trade. In using the word "capital" it must not be assumed that I have not very much at heart the interests of labour, because this question of capital is at the same time an intensely important one for labour. If, after the War, capital, for one reason or another, is unavailable for developing infant industries or carrying on such industries as we have, it will be an extremely bad day for labour in this country. I do not think it is a rash thing to prophecy that when the War is over capital will be difficult to raise for new industries, and it will be able to command such a price in the international market that there may be great stringency not only in the creation and development of new industries, but also in carrying on old ones where they have large advances from the bank or mortgages. Rates of interest are certain to rise, and the wages which capital can command are sure to be much higher. If that is so, what you must see to is that capital, if it is to be sunk in industry, shall be sunk under such terms that it can have reasonable security.

I remember going into some large works in my own part of the world some years ago, and taking up some small brass tabs. I asked where they came from? I was told from America. I suppose they sold at 2s. or 3s., but the wholesale price was a 1d. I asked the manufacturer whether he could produce them at that price. He said, "No, I can only produce them for 1½d." I asked, "Can you not put down machinery and produce them at that price?" He said, "Yes. If you give me security that my market will not be taken away and ten years' life for my capital, I will put down machinery and do it." Everyone knows that, according to what economists call the law of increasing returns, you can produce an individually cheaper article if you produce an enormously greater number of that article. If the manufacturer was given anything like a secure and reasonable market for a reasonable period of time, it would be worth his while to raise the capital to put down plant to produce the cheaper article.

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That is only an instance of the kind of security which must somehow or other be given to capital after the War if you are to see that this country is not starved. I am glad to know that with regard to optical glass the Government have taken a very wise step. They have encouraged by direct action, whether by bonus or whatever you call it, the manufacture of optical glass in this country, so that it is worth the while of firms to take up the manufacture of optical glass where it would not have been worth their while if that security had not been given.

The question of capital leads naturally to the question of the machinery in order to feed the manufacture of capital, and there I rejoice to hear the words of the President of the Board of Trade with regard to the English banking system. The English banking system is an extremely sound and cautious system. It has two aspects, the aspect of banking so far as the internal trade of the country is concerned and the aspect so far as the international trade is concerned. I think it is usually estimated by the economists that the commission business which is the result of our international position in the money market is worth some £30,000,000 to £40,000,000 a year. That is a very substantial sum. Largely in the interests of that international trade and the international position of the money market in England, the process of amalgamation of banks has gone on until now we have three or four large banking groups, all or mainly managed from London—there is one in Birmingham—and these groups are so constituted that the local manager has little power. That is an excellent system from the point of view of international banking and from the point of view of the short money market and so on, controlled in London. But it is not a good system from the point of view of the individual English trader. Under the old arrangement of private banks, when the banks throughout the country were in the hands of private partners or of small companies, a local trader could get credit, which he cannot get now because the manager has not a free hand. If you have such a huge agglomeration of banking facilities managed from London it is necessary to have a rule for the local managers that they may advance only so much and no more, and as a rule the limit is very low.

There are instances on record—I think the President of the Board of Trade has personal knowledge of one—in which a local bank and a small tradesman between them have built up a vast fortune and an entirely new industry. The banker has had the account of the local trader, he has watched him, he has seen him gradually growing, has fed him with credit when necessary, has pulled him in a little if he was going too fast, and has enabled him to launch out when on right lines. That is practically impossible in England at the moment. In Germany the reverse is the case. Germany takes a different view of the functions of banking. It would be a bad day for England if, in order to keep the international position, the power of England with regard to international trade, and that annual profit of from £30,000,000 to £40,000,000, we sacrificed the individual trader of the country. Therefore I welcome most heartily the promise of the President of the Board of Trade. If the bankers continue to take, as I think, a rather too narrow view of their responsibility in the matter, if they say that to assist traders is not banking business but money-lenders business, then the President assures us that a new type of bank will be set up—an industrial bank or commercial bank, or whatever you choose to call it—which will take a rather wider view, be prepared to incur larger risks, and which, if not willing to go quite as far as in Germany, where bankers practically go into partnership with traders, will assist traders who have not very much more than their personal capital and personal credit on which to raise money.

It is notorious that in new countries like Canada, Australia and America, personal character is the best credit on which to raise money, but it is practically no credit at all in this country. Unless a man has some collateral security of some kind, if he goes to a bank and says, "I am capable and healthy; therefore lend me money," he will be shown out very rapidly, whereas in the new country he would not be. It is because we want more help in a direction of that kind that we welcome the President's assur-

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ance that if help cannot be forthcoming from the banks under the present system some new system of banks will be set up. In Germany if a man goes to the local bank his case is inquired into; the matter is probably sent to Berlin, where it will be considered from the point of view of high State policy whether it is desirable to have a new industry of that character in the town; and if it is approved the man gets his credit from the bank, and the bank gives him so much credit that it becomes practically a partner in the undertaking. I thank the President of the Board of Trade for the reception which on behalf of the Government he has given to the Motion. We shall watch with interest the carrying out of his pledge that he will not wait until peace is declared, but will set in motion at once machinery for dealing with the evil of German competition. Not only that, but we welcome his assurance that never again, so far as he and other responsible authorities are concerned, will we have such a state of things as that under which Germany should have her hands on the industry of the country in such a way as she has done before.

Mr. FELL: As one who feels very strongly on all matters of Colonial interest, I should like to add a few words. I am sorry that in discussing the question as to whether or not the conference of Colonial Ministers was or was not to be held this year, the President of the Board of Trade was not more explicit. I gather that he was entirely in favour of such a meeting, and that the interests of the Colonies, which are bound up so much with those of this country, will be looked after when this unfortunate War has ended. Perhaps the right hon. Gentleman felt that a more explicit statement was a matter for the Prime Minister. I hope that one may get a reply at an early date, perhaps in reply to a question. The proposal put forward in the Resolution before us is a conference with the heads of the great Colonies: that we should confer at the earliest possible date to see what steps should jointly be taken in reference to the condition of affairs at the conclusion of the War. When we have done that we ought, I think, approach our Allies with definite proposals. Our fiscal policy has, as is well known, been different from that of our Allies. Three of our great Allies in Europe are protectionist countries. We have hitherto been an entirely Free Trade country. They would, therefore, naturally feel very great—I will not say diffidence—but reluctance in approaching this country for conference, and the settlement of any policy to be hereafter pursued, if they were not entirely assured that in so doing they had the sympathy of this country in regard to the protective duties which they might think it necessary to put on against our present-time enemies. They will, therefore, look for a lead from this country, and for us to approach them. We know their feelings and fiscal views, but they do not know our views at the present time, for, in view of speeches made from the other side, it would appear that there is very great difference of opinion in the country, and views held now are not the same as those held a short time ago. Many who originally would most strongly have opposed any protective duties would now, I think, be not unwilling to put them on to prevent our country being flooded with goods from enemy countries who have accumulated large stocks of goods that they will be very anxious to dispose of—indeed, it is absolutely necessary for them, in view of the need to dispose of them, to stimulate their exports to pay the immense debts they have contracted. They will endeavour to push their exports in every direction. I believe we have the sympathy of many who were Free Traders who will, at the end of the War, say that they will not for a moment endure that this country should suffer by reason of these accumulated goods being forced upon this country possibly below market price, or at any rate at very low prices. I am sorry that the President of the Local Government Board did not a little more explicitly refer to the Colonial Conference which has been suggested. I hope that it is a matter which will be dealt with before very long by the Prime Minister.

It is clear that this War has been really going on for twenty years between this country and Germany. It only reached its head when it became a war of armies in the field. The attack by Germany upon this country, and this Empire, has been

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expedited immensely within the last ten years. It is only within that period that Germany has resolutely, both in this country and in our Colonies but in neutral countries, endeavoured to oust England from markets which she previously entirely controlled. The home trade was referred to. Some portions which used to be flourishing have been entirely killed. I would refer more particularly to the immense progress which Germany has made in South America, both on the East and West coasts, in Chile, Peru, and the other countries where we had almost a monopoly of the trades. For a decade Germany has done the most diligent work there, and by exceedingly close attention to the business in hand, with the aid of their Consuls, by subsidizing customers, and by facilitating trade in every way, has largely obtained command of the trade in places that were once considered to be almost the freeholds of this country. I do not say we are not to blame. I believe we are very seriously to blame. But it is no less the fact that Germany has been competing for the trade, and has been successful, and that we are suffering from it, and that unless we make a change, both in our methods of business and in the way we compete with Germany, we ourselves will be supplanted in markets that we might fairly call our own.

One of the speakers to-day referred to the case of Ceylon. The hon. Member gave some very pointed instances of how the Germans had in that entirely English Dependency obtained a strong foothold commercially. Let me call attention to another strong instance. that of Burma. Burma is an English Colony, with the trade there almost practically in our own hands. Within the past ten years great German firms have been established at Rangoon, and they have supplanted us. I believe a number of rice firms at Rangoon were German-Hamburg firms before the War. There is no conceivable reason why such a state of things should be. Some four or five years ago I was talking with one of the members of a firm. He told me very confidentially that his income as one of the partners was at least £5,000 a year, and he said that he made that £5,000 with the greatest ease. He said, "Why you English people allow us to come in this way and steal your business, and become prosperous like my firm in what one would have thought would be an English preserve, passes my comprehension." I spoke with him further, and found his explanation of the prosperity of German businesses. He said, "Many of your young Englishmen want posts and appointments. That is the chief thing they look forward to, particularly when they go abroad to the Colonies. You will not get any of your young men to come out to Rangoon on his own account and start a business. He wants an appointment with an assured income of £300 or £400 a year. He will not strike out in a new line." There is, I believe, a good deal of truth in what was said by this partner. "Look," said this gentleman, "at the position of a Commissioner. He gets his £1,500 or £2,000 a year, and he thinks himself a very big man. What is his position compared with my £5,000 a year, with less work, and holidays three or four times a year?" We shall have to turn over a new leaf in these matters. Business, of course, has been suspended for the present, but I hope some English firm will secure that business, and take precious good care that German firms after the War do not regain their lost opportunities. You can say we can do all this. At the end of the War, there is not the least doubt, there will be the intensest feeling in this country, and we shall have a boycott of German goods. Newspapers will write it up, and everyone will be considered a traitor to his country if he buys any German goods. That may happen for a short while. I believe it will happen for a short while, and, possibly, the keener this boycott for the moment the sooner it will pass; but it will pass, and pass very soon. The goods at first will be said to be Dutch, Swiss, or those of some country other than Germany, but, after a very little while, when the people have got used to these cheap articles, they will buy them as German goods again. I have not the slightest doubt about it. If they are a little cheaper than other goods, the feeling will die away, and people will buy these German goods as in the past. If something is not done at present we shall have the German hotel managers—I have heard them say so—

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all back again managing our hotels in England; also the waiters running the country as they did before the War. The question is whether we cannot by this conference stop that. There will be a severe boycott for a little while, but it will not last. We can, however, in this House, in conjunction with our friends in the Colonies and our Allies, make such arrangements that this will not be an ephemeral boycott of German goods, but permanent steps will be taken which will stop the flooding of this country with these cheap things at the end of the War, depreciating the value of our labour and capital, and tending the sooner to put that country on its legs again competing with us.

We have read of meetings being held in our Colonies. I saw the other day there was one in New South Wales and in other places where they are only too ready to join us, or to take whatever steps that can be introduced for the advantage and safety of our Empire. Then, with regard to our Allies, I know something of Russia, and I believe that Russia will gladly welcome any steps we may take in conjunction with our other Allies to get rid of the weight which has been hanging round their necks of the German influence which was so very large in that Empire at the outbreak of the War. Many of the firms in Russia had German partners, and a great deal of the capital in Russia was German. Iron and steel works were very largely German, and under German management. I believe in Moscow there were large German firms operating. Nothing, I believe, Russia desires so much as to get rid of the position in which she has been of not having either capital or sufficient experience in these industries to conduct them successfully in her own country. Now we can, I hope, although it may be difficult at first, find the capital and lend her the men who will be able to organise those industries as well as the Germans have done, and there is nothing the Russians will welcome more gladly than the advent of English capital, experience and skill in developing her industries, particularly the iron, coal, and steel and such like industries. As for France, she is always very chary of making any suggestions to this country with regard to any fiscal or other problems of that nature, as she knows very well we have our own views and opinions. But recently there have been suggestions for a closer inter-communication between the Parliaments of England and France to the mutual advantage of both.

There are, we know, one or two proposals with regard to that. A fortnight

9.0 P.M. ago I had a letter from a deputy, a friend of mine, in France. He is a well-

known man—I will not mention his name, as I have not his permission—but he wrote me with regard to this closer association of the French Chamber and this House of Commons by mutual meeting, and if I may read one extract, I think he put it as well as, and better than, I have seen it put in any English papers. He writes:

“After the War, we shall certainly have to unite all our efforts to continue on the economic field the fight we are waging at this moment against Germany. It will be necessary to prevent her recovering the position and the power this War has cost her, and which she will struggle to regain. We shall do well from now onwards to prepare ourselves for this fight.”

It is for this, which this French Deputy foresees, and which we in this House really all foresee, that we must prepare ourselves, and the sooner the better. He writes that it is high time we should begin. I entirely agree with him, and I believe I have the agreement of all the Members of this House that no time should be lost, but that we should confer with our Allies in seeing what we can do so as to wage the economic fight when the War is over in a more successful manner than we have begun the soldier's fight which we are now carrying on. In the end it may be the same, but do not let us in the economic fight make any of the mistakes and blunders we possibly may have made at the beginning of the War.

Mr. LYNCH: I propose to say a few words on a subject which, although it has not been much dealt with in the course of the Debate, underlies it all, and that is the question of technical education. In the course of the Debate, which has been highly interesting and instructive, the President of the Board of Trade recited several instances where Germany had built up great industries, some of them on the basis of

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inventions which had emanated either from this country or from France, and he cited in particular the industries of the aniline dyes, of optical glasses, and of electrical machines. I think I could show in every one of those cases what was the real source of Germany's power in acquiring these industries. But before coming directly to that aspect of the question, I ought to say this, that although the Debate so far has been highly instructive, I cannot but think that it began at the wrong end, and that unless the deep foundations are laid of commercial prosperity in the way of high scientific education, and of its derivative, technical education, then simply to juggle with tariffs, or even to devise details for improving trade, places the expert somewhat in the same position as the physician who, having to deal with a disease, occupies himself solely with the symptoms instead of investigating the profounder causes of the malady. I believe that prosperity in trade depends upon so many factors, some of them elusive and not apparent, that a thorough examination of this subject would eventually lead us to the investigation of the cause of the rise or the decline and fall of nations.

On the one hand, I do not think that even in this Debate sufficient importance has been given to the purely military side. The right hon. Member for Swansea said that those who made this War in Germany, the military party, were amongst those who most despised trade and commerce; and he accounted for the fact that the German had given up that great weapon of fiscal penetration by asserting that the traders had been stampeded by the military power. This statement is mainly true, but I think that it would be a false impression to give that military strength in a nation is in any way incompatible with its commercial expansion. I believe that when the causes are investigated of the commercial prosperity of this country during the last hundred years one may find the turning point in some great military exploit, such as the Battle of Trafalgar, which gave Great Britain supremacy of the seas and left her a free hand in all the remote countries, and placed her in such a condition that, even without great initiative, and without high efficiency, she was able to push her trade and secure high prosperity.

In course of time, with the development of civilization, other nations have entered into the lists as competitors, and before this War England was being hard pressed by Germany. The foundation of the prosperity which Germany enjoyed before the War was laid generations ago. I will take the turning point, that of the advent of Wilhelm von Humboldt to the position of Director of Public Instruction, in the year 1809. He was not a politician in the ordinary sense, but a man of very wide learning and imbued with the scientific spirit. He was called by the Prussian nation to establish a system of education, and in two years he laid the foundation of a system of education which has been the real root and source of the prosperity which Germany subsequently enjoyed. I would here point out that those in this country who occupy a position corresponding to that held by Wilhelm von Humboldt have never been chosen as great educationists. At the present moment it would be hard for any hon. Member of this House to say who is our Minister of Education, for he is suspended, like Mahomet's coffin, between heaven and, say, the earth. The man who held this position in Germany for two years exercised such a wide influence and power that the reverberations of his efforts are felt for a century afterwards, while some of our educationists, if they had been in power a hundred years, would not have left their reverberations for a succeeding two years. For that I blame the Government, who appoint men not for their competence in education, or their scientific attainments, or for their study of vital problems, but for quite extraneous reasons relating to the juggling of party politics. I would even blame the Minister of Munitions in this regard for not having exercised to the full that clear intelligence and luminous mind which he possesses so as to see the vital importance of such a problem and to secure that it should be adequately dealt with.

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In a few words I hope to show another factor arising from the same scientific sources of Germany's supremacy in commerce. In November, 1914, there was an article published in "Nature," but really taken from the "Revue Scientifique," under the name of Sir William Ramsey, in which, in a very masterly way, he analyzed the causes of German superiority in many respects in commercial enterprises. On the one hand he pointed out that a board of directors in a German company is not a show board or a board composed of City men popularly called guinea-pigs, with an ornamental peer to give social lustre; but it is composed of men who are experts in their particular business, and who have gained their expert knowledge after adequate training by long study and experience.

Again, the question of inventions is not left simply to haphazard. There is a proper organized committee to deal with inventions, not in that passive way which prevails here even now in this crisis, but in a thoroughly active manner by always keeping on the watch for new inventions, seizing instantly upon suggestions which emanate from other countries, testing them, using the best endeavours to utilize those suggestions and inventions in order to turn them to practical commercial advantage. There is another department devoted to the special study of cheap production, and this branch the Germans call the active war party of their commercial enterprise. That matter is not left to chance. It is not left to a passive body but to an actively working committee who study for themselves these problems not merely in Germany but in other countries which are their competitors. Then these commercial enterprises are directly stimulated and encouraged where necessary by the German Government.

I will give point to those general observations mentioned by the President of the Board of Trade. Here we seem to regard it as a sort of grievance that aniline dyes after having been invented in this country, the trade was seized by the Germans. Dr. Perkin, in 1856, produced the first aniline dye, but he was not the first investigator in this department of chemistry, nor the first to produce coloured materials from the by-products of coal tar. Dr. Perkin, however, was the first man to produce an aniline dye—mauve—and the Germans seized upon that discovery, organized themselves into a committee of research, and after Dr. Perkin had produced one dye, the German chemists in a short time were producing a whole series of them; and they soon laid the foundation of this great industry. The fault of this lies at the door of this House.

Then take the question of the optical glasses, which have been described by the hon. Member who sits for Glasgow (Mr. Mackinder) as one of the key-industries. The great pre-eminence of Germany in the industries of optical glass arose in this way: A German physicist of eminence, Dr. Abbe, having observed how much his own researches were vitiated or retarded by the want of good optical instruments, one day turned aside from his own province of science and said, "Would I not be a greater benefactor of German science if I neglected my own immediate researches and devoted all my scientific skill to the investigation of the production of the best kind of glass?" That had hitherto been left to manufacturers and men who work mainly by rule of thumb. When the German Government found that Abbe was working on this line they encouraged him, stimulated him, and helped him in his work with money, and so he was able to lay the foundations of another of the vast industries which have redounded to Germany in millions of pounds which might have been obtainable by her competitors.

Let us take another example also mentioned by the President of the Board of Trade, that of electrical apparatus. In electrical apparatus this country had the start of Germany. In many of the inventions of electricity this country was also ahead of Germany, as was also France in some particulars; and, although perhaps one of the greatest names of the science of wireless telegraphy is German, or two even, Helmholtz and his pupil Hertz, yet those discoveries and inventions which led to

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immediate practical utility emanated from France and from Italy in the person of Marconi, and were also fostered by representatives highly endowed with scientific knowledge in this country. But having this advantage, this country failed to pursue it by reason of its deficiency in a general high state of education. The Germans saw the commercial advantage, and having the means at their hands in the high training which they had established in their own country they threw themselves into the matter with great energy, and once more we find one of these industries founded upon scientific research, the product of scientific attainment, and it has redounded in millions to the advantage of Germany. I could pursue the same theme in other enterprises, as, for instance, in that of aeroplanes, and so forth, in many of which the initiative, and the great invention, have remained to the honour either of this country or of France. What is the cause of it? The original cause is in that system of education of which Humboldt was the founder.

Another cause has been that this country, either in an individual way or as a Government, has never given sufficient encouragement to high scientific studies or to their project, technical education. I remember coming into this House when first elected, and, with an audacity and hope which experience has chilled, asking for £10,000 for research, and being soundly snubbed by the pundits who sit on that bench. At that time I thought, and I still think with greater force, that if instead of coming for £10,000 I had appealed to a Government with true intelligence I would have demanded £10,000,000; and if I had duly expanded the whole scope of scientific and technical education I would have demanded £100,000,000; and that £100,000,000 would have been seen in the end to have been a vast economy. Had such lines been taken up, not merely within recent years but from two generations back, we would have obviated this War which is costing us £5,000,000 a day.

I will cease now on that theme, and I will touch very briefly in closing on another aspect of this question of co-operation with the Dominions. I speak as one born in the Dominions, and therefore, perhaps, with a feeling, and even with a passion, which could be hardly comprehended by those who have not been born there, a passion for the future of that glorious country of sunshine which gave me birth, and of which I see the destiny written in letters of gold.

I would like in some measure to see closer co-operation between this country and the Dominions, but I would like to know on what terms. Although I hope for that closer co-operation I would be bitterly opposed to it if it meant any surrender on the part of the Dominions of the rights which they have thus far acquired, any surrender whatever of their home rule or self-government, because I feel to some extent that life is with them, vigour is with them, and the future is with them. If they linked themselves, I will not say with this country, but with the regime of this country, it would be like pouring the young wine of their fresh energies into the old bottles of a played-out system. When the Prime Ministers meet I hope that, while giving every assistance in their power to this country in carrying on the War and in laying the foundation even for a closer bond and greater co-operation in the future, they will be careful not to bind themselves in any way which would mean the perpetuation of our systems here, for in many respects of which we are living in an atmosphere of sham and of humbug. I hope that in any alliance of that kind which may be subsequently formed it will be rather the Dominions and not the Mother Country who will point the way and set the tune.

I will not continue on that line, but, perhaps, upon a subsequent occasion I will raise the matter. I refrain now because if I were to speak I should break all bounds and utter words which would astound you all. The vision which I have for the future of these Dominions is very different from that sort of pinchbeck Imperialism so often advocated in this House, and which differs from German Imperialism only in this, that it seeks to copy it in every element and can only plead that in every element its

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fibres are degenerate and its virus diminished. I hope in forming a closer bond between this country and the Dominions that it is this country which will be stirred up by those ideas of complete freedom and expansion, and regard for reality and truth, which I believe is the very spirit and essence of the life of these great Dominions.

Question put, and agreed to.

Resolved, "That, with a view to increasing the power of the Allies in the Prosecution of the War, His Majesty's Government should enter into immediate consultation with the Governments of the Dominions in order with their aid to bring the whole economic strength of the Empire into co-operation with our Allies in a policy directed against the enemy."